Lego Corporate
Finance Limited
力高企業融資有限公司

11 December 2019

*To: The Independent Board Committee and the Independent Shareholders
of Panda Green Energy Group Limited*

Dear Sirs or Madams,

(1) SUBSCRIPTION AND ISSUANCE OF NEW SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser, as approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver, details of which are set out in the circular of the Company dated 11 December 2019 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 19 November 2019, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 7,176,943,498 Subscription Shares, at the Subscription Price of HK$0.25 per Subscription Share. The aggregate subscription price for the Subscription Shares is approximately HK$1,794,235,874.5. The Subscription Shares will be issued pursuant to the Specific Mandate to be obtained at the SGM.

As at the Latest Practicable Date, the Subscriber and parties acting in concert with it did not own or have control in the Shares. Assuming that there is no change in the issued share capital of the Company since the Latest Practicable Date up to Completion other than the allotment and issue of the Subscription Shares, upon Completion, the Subscriber and parties acting in concert with it will be interested in 7,176,943,498 Shares, which represent (i) approximately 47.06% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 32.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

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As the Subscriber and parties acting in concert with it will be interested in more than 30% of the issued share capital of the Company upon Completion, pursuant to Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make mandatory general offers for all the issued Shares and other relevant securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. The Subscriber has made an application to the Executive for the Whitewash Waiver in this regard. The Executive has indicated that it is minded to grant the Whitewash Waiver subject to among other things, the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the grant of Specific Mandate on the other hand, being separately approved by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll.

The Independent Board Committee comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest or involvement in the transactions contemplated under the Subscription Agreement or the Whitewash Waiver, namely Mr. Yu Qiuming, Mr. Li Hao, Ms. Xie Yi, Mr. Wang Heng, Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Chen Hongsheng, has been established in accordance with Rule 2.8 of the Takeovers Code to advise and give a recommendation to the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests in the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholder of the Company (details of which were set out in the circular of the Company dated 1 March 2019) in relation to the connected transactions involving subscription of new shares under specific mandate. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Subscriber, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Subscription and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the Latest Practicable Date and will continue to be true up to the time of the SGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information provided and representations made.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Company or the Subscriber or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Business of the Company

The Company is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects. As at 31 December 2018, the Company and its associates/joint venture had 74 solar power plants with aggregate installed capacity of approximately 2,329.6MW. These solar power plants are mainly located in the People's Republic of China ("**PRC**"). Almost all the solar power plants owned and controlled by the Company and its associates are ground-mounted, while a small portion of them are roof-top type. The Company strategically develops and acquires solar power plants to achieve predetermined minimal rate of return and selects its solar power plants based on a combination of considerations, including solar irradiation of the site, applicable feed-in tariffs, government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity, etc.

As stated in the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"), following the success in the development of the "Top Runner" project for 100MW solar power plant in Datong, Shanxi in 2016, the Company successfully won another "Top Runner" project for 100MW floating solar power plants in Anhui Province in the same year. The project fully embodied technological innovation in respect of the fishery and solar power plant combination as well as comprehensive ecological control of subsidence areas. These floating solar power plants have achieved grid-connection during 2018.

The Company owned development rights mainly in hydropower in Tibet and Sichuan, PRC with an expected capacity of over 5GW. The Company indirectly holds 75% of the equity interest in the project company while the remaining 25% is indirectly held by the People's Government of Tibet Autonomous Region. The Group is awaiting the planning of the PRC government's ecological red line before the construction of any hydropower plants.

During 2018, the Company participated in certain photovoltaic poverty alleviation projects: one project with aggregate installed capacity of 75MW in Guangdong which was under construction; and two projects with aggregate installed capacity of 50MW in Sichuan which have achieved grid-connection during 2018.

2. Overview of the photovoltaic industry in the PRC

The photovoltaic industry in the PRC was largely impacted by the PRC government's subsidy reductions for photovoltaic power generation, widely known as the "531 New Policy"(531新政). The PRC government announced such move on 31 May 2018, which reduced the subsidies to newly approved photovoltaic power stations in each calendar year, subsequently led to a sudden contraction of the photovoltaic market in the PRC. During the year, the entire photovoltaic industry was particularly impacted by the "531 New Policy" (531新政) as well as the changes of the international trade environment. In the face of adversity, as stated in the 2018 Annual Report, the Company continued to adhere to the development policy of "steady progress, innovation and efficiency". Among others, from the continuous acquisition of quality power plant assets to boost total installed capacity, to the active introduction of powerful strategic investors such as Qingdao City Construction Investment (Group) Co. Limited, it demonstrated that the Company remained hopeful about its prospects. In addition, in order to cope with the challenges, the Company has carried out internal optimization. On one hand, the Company invited talents with rich experience in the finance, technology and management aspects. On the other hand, it carried out internal restructuring so as to improve the operation efficiency.

In view of the impact of the "531 New Policy"(531新政), in November of 2018, the PRC government adjusted its policies for the photovoltaic industry during the Midterm Review of the 13th Five-Year Plan. According to the policies announced by the National Energy Administration of the PRC in relation to the photovoltaic industry in September and October of 2019, the PRC government supports the stable development of the photovoltaic industry and was implementing various measures, among other things, (i) speeding up the payment of subsidies to the qualified corporates; (ii) elimination of obsolete coal power production capacity. It is also noted that the National Development and Reform Commission has issued Supervisory Measures for Guaranteed Purchase by Grid Enterprise on Renewable Energy (電網企業全額保障性收購可再生能源電量監管辦法(修訂)(徵求意見稿)) in November 2019 which required grid enterprise (電網企業) to fully purchase the electricity generated by the grid-connected renewable power plant. In view of the supportive policies from the PRC government, we considered that the industry will remain generally stable in near term.

As stated in the 2018 Annual Report, the capital of the Company will be strengthened in 2019 by receiving a new round of electricity subsidy from the Chinese Government and the capital contribution from its shareholders, for the Company's future development.

3. Historical financial information of the Company

(a) Historical financial results of the Company

Set out below is a summary of the audited financial results of the Group for the years ended 2016, 2017 and 2018 ("**FY2016**", "**FY2017**" and "**FY2018**" respectively) as extracted from the annual report of the Company for the year ended 31 December 2017 ("**2017 Annual Report**") and the 2018 Annual Report and the unaudited results for the six months ended 30 June 2019 ("**HY2019**") and the six months ended 30 June 2018 ("**HY2018**") extracted from the interim report of the Company for the six months ended 30 June 2019 ("**2019 Interim Report**"):

	FY2016 *RMB million* (audited)	**FY2017** *RMB million* (audited)	**FY2018** *RMB million* (audited)	**HY2018** *RMB million* (unaudited)	**HY2019** *RMB million* (unaudited)
Revenue	998	1,522	2,108	973	1,093
EBITDA	848	1,198	1,772	844	978
(Loss)/profit for the period	382	153	(454)	(87)	114
(Loss)/profit for the period attributable to equity holders of the Company	367	153	(451)	(87)	104

FY2017 versus FY2016

The increase in revenue and EBITDA was attributed to: (i) expansion in aggregate capacity from 1,007.6MW to 1,733.5MW, or around 72% by way of acquisition and self-development projects; and (ii) effective monitoring and control in electricity generation which enabled most plants to have recorded an increase in their electricity generation. The average tariff per kilowatt hour ("**kWh**") (net of value added taxes) for 2017 was approximately RMB0.80.

During 2017, the Group recorded a net profit of approximately RMB153 million, representing a decrease of approximately 60% as compared to the corresponding period in 2016. The significant drop in net profit was mainly due to (i) the fair value loss on financial instruments of approximately RMB290 million; and (ii) the increase in finance costs by approximately 28%, as compared to the corresponding period in 2016. The fair value loss on financial instruments was mainly attributable to the fair value loss recognized on the issue of shares and warrants of approximately RMB229 million, which represents the difference in fair value of the shares and warrants as at the date on which the commitment to issue shares and warrants arose and the date of issue of such shares and warrants. The Group did not record any fair value loss on derivative financial instruments in 2016. In addition, the Group raised approximately RMB12,000 million debt financing during 2017 for its business development, early redemption of convertible bonds, repayment of existing indebtedness and working capital purposes, which resulted in the increase in finance cost by approximately 28% as compared to 2016.

FY2018 versus FY2017

During 2018, the revenue and EBITDA were approximately RMB2,108 million and RMB1,772 million respectively (31 December 2017: RMB1,522 million and RMB1,198 million respectively). The increase in revenue and EBITDA was attributed to: (i) expansion in installed capacity of projects for around 14% by way of acquisition and self-development; and (ii) effective monitoring control in operation and maintenance so that most plants have increased in their electricity generation. The average tariff per kWh (net of value added taxes) for 2018 was approximately RMB0.80.

During 2018, the Group recorded a net loss of approximately RMB454 million, as compared with net profit of approximately RMB153 million for the corresponding period in 2017. The net loss in 2018 was mainly due to the decrease in gains from bargain purchase in 2018. The gain of approximately RMB26 million for 2018 came from the acquisition of 70MW solar power plants; while the gain of approximately RMB956 million in 2017 were mainly from the acquisition of the Tibet project which owns development rights over 5GW hydropower capacity and 80MW solar power capacity in Tibet and Sichuan. Considering that gains from bargain purchase are non-recurring in nature, if excluding the abovementioned gains from bargain purchase, the Group recorded net losses of approximately RMB803 million and RMB496 million for FY2017 and FY2018 respectively.

HY2019 versus HY2018

During HY2019, the revenue and EBITDA from the continuing operations were approximately RMB1,093 million and RMB978 million respectively (HY2018: RMB973 million and RMB844 million respectively). The increase in revenue and EBITDA was attributed to: (i) expansion in installed capacity of projects for around 13% by ways of acquisition and self-development and (ii) effective monitoring control in operation and maintenance so that most power plants have increased in their electricity generation. The average tariff per kWh (net of value added taxes) for HY2019 was approximately RMB0.78.

During HY2019, the Group recorded a net profit of approximately RMB114 million (2018: loss of approximately RMB87 million). The profit for HY2019 comprised the profit from continuing operations of approximately RMB110 million and discontinued operation of approximately RMB4 million.

It is noted from the 2019 Interim Report that the Group focused its resources on managing its existing solar power business during the six months ended 30 June 2019, the total electricity generated by the power plants from the continuing operations of the Group and its associates/joint ventures has increased from approximately 1,502,170 megawatt hours in HY2018 to approximately 1,691,922 megawatt hours for HY2019, or by approximately 13%, and all these power plants are grid-connected and are generating electricity steadily. The improved financial results of the Group in HY2019 as compared with HY2018 indicated that the Group has been recovering from the 531 New Policy, as mentioned in the section "Overview of the photovoltaic industry in the PRC" above. The favourable policies published by the PRC government on photovoltaic industry will also support the stable development of the Group's solar power business in near term.

Although the Company appears to be recovering from the 531 New Policy, given that the Group's net current liabilities position as at 30 June 2019, as well as the repayment requirement of the outstanding US$350 million senior unsecured bonds which will mature on 25 January 2020, we concur with the Directors' view that even the Subscription Price is at a discount to the NAV, it is still fair and reasonable with reference to the current market and economic conditions, the prevailing market price of the Shares and the circumstances of the Company.

In view of (i) the improved financial result for HY2019 comparing to HY2018; (ii) the increase in the total electricity generated by power plant from continuing operations of the Group and its associates/joint ventures; and (iii) favourable policies published by the PRC government in support of the photovoltaic industry, we concur with the Directors' view that the Group's business will remain stable in near term.

(b) *Financial position of the Group*

Set out below is a summary of the audited consolidated financial position of the Company as at 31 December 2017 and 2018 and the unaudited consolidated financial position as at 30 June 2019 as disclosed in the 2017 Annual Report, the 2018 Annual Report and the 2019 Interim Report:

	As at 31 December 2017 *RMB million* (audited)	As at 31 December 2018 *RMB million* (audited)	As at 30 June 2019 *RMB million* (unaudited)
Assets			
Non-current assets			
– Property, plant and equipment	15,567	17,115	16,111
– Right-of-use assets	–	–	131
– Intangible assets	2,524	2,245	2,245
– Investments accounted for using equity method	801	888	884
– Financial assets at fair value through profit or loss	132	60	76
– Financial assets at fair value through other comprehensive income	–	–	46
– Other receivables, deposits and prepayments	2,050	1,983	1,920
– Pledged deposits	903	1,838	1,847
– Deferred tax assets	29	28	26
Total non-current assets	**22,006**	**24,157**	**23,286**
Current assets			
– Financial assets at fair value through profit or loss	231	189	187
– Trade, bills and tariff adjustment receivables	1,739	4,093	4,270
– Other receivables, deposits and prepayments	1,786	954	930
– Pledged deposits	1,229	967	771
– Restricted cash	10	8	24
– Cash and cash equivalents	1,593	407	222
Total current assets	**6,588**	**6,618**	**6,404**
Total assets	**28,594**	**30,775**	**29,690**

	As at 31 December 2017 RMB million (audited)	As at 31 December 2018 RMB million (audited)	As at 30 June 2019 RMB million (unaudited)
Non-current liabilities			
– Bank and other borrowings	12,997	16,649	13,453
– Lease liabilities	–	–	89
– Contingent consideration payables	16	10	–
– Deferred government grant	7	8	6
– Other payables	–	–	23
– Deferred tax liabilities	722	684	622
– Other derivative financial instruments	12	8	15
Total non-current liabilities	**13,754**	**17,359**	**14,208**
Current liabilities			
– Other payables and accruals	2,205	2,095	2,003
– Lease liabilities	–	–	18
– Bank and other borrowings	5,209	5,423	6,162
– Convertible bonds	981	–	–
– Contingent consideration payables	16	26	13
– Other derivative financial instruments	1	2	–
Total current liabilities	**8,412**	**7,546**	**8,196**
Total liabilities	**22,166**	**24,905**	**22,404**
Net assets	**6,428**	**5,870**	**7,286**
– Non-controlling interest	552	575	596
– Equity attributable to owners of the Company ("NAV")	**5,876**	**5,295**	**6,690**
NAV per Share *(RMB)*	**0.62**	**0.56**	**0.44**

As at 31 December 2017

As at 31 December 2017, total assets of the Group amounted to approximately RMB28,594 million, comprising non-current assets of RMB22,006 million and current assets of RMB6,588 million. The non-current assets comprised principally property, plant and equipment relating to power generating modules and equipment of approximately RMB15,567 million, intangible assets of approximately RMB2,524 million and other receivables, deposits and prepayments of approximately RMB2,050 million. The current assets comprised principally trade, bills and tariff adjustment receivables of approximately RMB1,739 million, other receivables, deposits and prepayments of approximately RMB1,786 million, pledged deposits of approximately RMB1,229 million and cash and cash equivalents of approximately RMB1,593 million.

Total liabilities of the Group amounted to approximately RMB22,166 million, representing an increase of approximately RMB7,593 million as compared to the total liabilities of the Group as at 31 December 2016. Total non-current liabilities increased from approximately RMB9,443 million as at 31 December 2016 to approximately RMB13,754 million, mainly due to the increase of bank and other borrowings. Total current liabilities increased from approximately RMB5,130 million as at 31 December 2016 to approximately RMB8,412 million as at 31 December 2017, mainly due to the increase in other payables and accruals as well as bank and other borrowings. Most of the proceeds raised from bank borrowings were used to redeem the Group's convertible bonds and repay the indebtedness.

As at 31 December 2017, the NAV per Share was approximately RMB0.62, calculated by dividing the NAV of approximately RMB5,876 million by 9,529,811,467 Shares in issue as at 31 December 2017.

Gearing ratio of the Group, calculated by dividing net debts (total borrowings, including current and non-current bank and other borrowings, construction costs payable and convertible bonds as shown in the consolidated statement of financial position, less cash deposits, including cash and cash equivalents, pledged deposits and restricted cash as shown in the consolidated statement of financial position) by total capital, was approximately 72.2%.

As at 31 December 2018

As at 31 December 2018, total assets of the Group amounted to approximately RMB30,775 million, comprising non-current assets of RMB24,157 million and current assets of RMB6,618 million. The non-current assets comprised principally property, plant and equipment relating to power generating modules and equipment of approximately RMB17,115 million, intangible assets of approximately RMB2,245 million, other receivables, deposits and prepayments of approximately RMB1,983 million and pledged deposits of approximately RMB1,838 million. The current assets comprised principally trade, bills and tariff adjustment receivables of approximately RMB4,093 million. Trade, bills and tariff adjustment receivables recorded a significant increase during 2018 mainly due to the delay of the 5th, 6th and 7th batches of the Renewable Energy Tariff Subsidy Catalogue.

Total liabilities of the Group amounted to approximately RMB24,905 million, representing an increase of approximately RMB2,739 million as compared to the total liabilities of the Group as at 31 December 2017. Total non-current liabilities increased from approximately RMB13,754 million as at 31 December 2017 to approximately RMB17,359 million, mainly due to the increase of bank and other borrowings. Total current liabilities decreased from approximately RMB8,412 million as at 31 December 2017 to approximately RMB7,546 million as at 31 December 2018, mainly due to the redemption of all the outstanding convertible bonds upon maturity during 2018.

As at 31 December 2018, the NAV per Share was approximately RMB0.56, calculated by dividing the NAV of approximately RMB5,295 million by 9,529,811,467 Shares in issue as at 31 December 2018.

Gearing ratio of the Group, calculated by dividing net debts (total borrowings, including current and non-current bank and other borrowings, construction costs payable and convertible bonds as shown in the consolidated statement of financial position, less cash deposits, including cash and cash equivalents, pledged deposits and restricted cash as shown in the consolidated statement of financial position) by total capital, was approximately 76.9%.

As at 30 June 2019

As at 30 June 2019, total assets of the Group amounted to approximately RMB29,690 million, comprising non-current assets of RMB23,286 million and current assets of RMB6,404 million. The non-current assets comprised principally property, plant and equipment relating to power generating modules and equipment of approximately RMB16,111 million, intangible assets of approximately RMB2,245 million. The current assets comprised principally trade, bills and tariff adjustment receivables of approximately RMB4,270 million.

Total liabilities of the Group amounted to approximately RMB22,404 million, representing a decrease of approximately RMB2,501 million as compared to the total liabilities of the Group as at 31 December 2018. Total non-current liabilities decreased from approximately RMB17,359 million as at 31 December 2018 to approximately RMB14,208 million, mainly due to the decrease of bank and other borrowings. Total current liabilities increased from approximately RMB7,546 million as at 31 December 2018 to approximately RMB8,196 million as at 30 June 2019, mainly due to the increase of bank and other borrowings during the first half of 2019.

As at 30 June 2019, the NAV per Share was approximately RMB0.44, calculated by dividing the NAV of approximately RMB6,690 million by 15,251,004,934 Shares in issue as at 30 June 2019.

Gearing ratio of the Group, calculated by dividing net debts (total borrowings, including current and non-current bank and other borrowings, construction costs payable and convertible bonds as shown in the consolidated statement of financial position, less cash deposits, including cash and cash equivalents, pledged deposits and restricted cash as shown in the consolidated statement of financial position) by total capital, was approximately 70.3%.

4. Reasons for the Subscription and use of proceeds

The Company has been actively looking for cooperation opportunities to improve its financial and operational capabilities. The Directors are of the view that the Subscription represents a good opportunity for the Company to raise funds to strengthen its capital base, to improve its financial position for the Company's future development and to introduce strategic investors to the Company. The Directors are also of the view that the Subscription represents an opportunity for the Group to bring in a solid strategic investor, namely the Subscriber, the Company shall be able to enhance its credit rating, lower its financing costs and improve liquidity position of the Company, in particular to repay the outstanding US$350 million senior unsecured bonds which will mature on 25 January 2020. The Company is currently exploring all means to ensure that the remaining amount of the outstanding bonds will be settled. The Company will comply with the requirements set out in the relevant Listing Rules, including without limitation making further announcements (if any), in respect of the Company's plan and actions to settle the bonds in due course.

Furthermore, the Subscriber is with leading expertise in wind power and photovoltaics development, and as a strategic investor to the Company, it would provide design and technique support to the Group's ongoing and future photovoltaics development projects. The Directors will explore the opportunity for the Group to generate synergy with the Subscriber in the future. As at the Latest Practicable Date, the Company does not have any concrete plan for acquisition, expansion or other synergy.

The gross proceeds of the Subscription will be approximately HK$1,794,235,874.5. The net proceeds of the Subscription is estimated to be approximately HK$1,763,745,794.86 and the net proceeds raised per Subscription Share upon completion of the Subscription will be approximately HK$0.2458 per Subscription Share.

All the net proceeds of the Subscription will be applied for repayment of outstanding debts, in particular the outstanding US$350 million senior unsecured bonds which will mature on 25 January 2020.

Given the potential synergy effect with the Subscriber and the relatively low cash position as at 30 June 2019 of apparently RMB222 million which is not sufficient for the repayment of the outstanding US$350 million senior unsecured bonds which will mature on 25 June 2020, the Directors are therefore of the view and we concur that the Subscription is in the interest of the Company, the Shareholders and the Independent Shareholders as a whole.

5. Information of the Subscriber

The Subscriber is a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司), which is a state-owned company in the PRC indirectly wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, and is a top 500 company in PRC (中國企業500強) in the list published by China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會) for 2018. According to the official website of Beijing Energy Holding Co., Ltd., it and its subsidiaries are principally engaged in electricity production and supply, thermal heat production and supply, the production and sale of coal, property development and real estate management. Beijing Energy Holding Co., Ltd. had controlling stake in four listed companies in Hong Kong and PRC, including Beijing Jingneng Clean Energy Co., Limited (579.hk) which principally engaging in the construction, management and operation of clean energy power plants, including gas-fired power, heat energy, wind power, photovoltaic power and hydropower. With the resource available to the Subscriber through the group companies of Beijing Energy Holding Co., Ltd., it is expected that the Subscription will have synergy effect in terms of the current solar power business of the Group.

As stated in the letter from the Board contained in the Circular, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

6. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement, further details of which are set out in the letter from the Board contained in the Circular.

(a) Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, 7,176,943,498 Shares at the Subscription Price of HK$0.25 per Subscription Share.

The Subscription Shares represent approximately (i) 47.06% of the issued share capital of the Company as at the date of this announcement; and (ii) 32.00% of the enlarged fully paid up issued share capital of the Company upon completion of the Subscription (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares). The Subscription Shares will be issued pursuant to the Specific Mandate to be obtained at the SGM. The aggregate nominal value of the Subscription Shares is HK$717,694,349.8.

(b) *The Subscription Price*

The Subscription Price of HK$0.25 per Subscription Share represents:

(i) a discount of approximately 21.9% to the closing price of HK$0.32 per Share as quoted on the Stock Exchange on 2 August 2019, being the date of the MOU;

(ii) a premium of approximately 7.8% over the closing price of HK$0.232 per Share as quoted on the Stock Exchange on 19 November 2019, being the Last Trading Day;

(iii) a premium of approximately 9.2% over the average closing price of approximately HK$0.229 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 10.1% over the average closing price of approximately HK$0.227 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a discount of approximately 49.0% to the unaudited consolidated net asset value per Share of the Company of approximately RMB0.44 (equivalent to approximately HK$0.49) as at 30 June 2019.

The aggregate Subscription Price amounts to approximately HK$1,794,235,874.5 which shall be payable in cash by the Subscriber. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber after taking into account (i) the prevailing market price of the Shares, (ii) the volume of the Subscription Shares, (iii) the recognizable brand name, extensive network, solid financial prowess and well-qualified professionals of the Subscriber, (iv) the potential financial, operational, managerial and brand-promotional supports from the Subscriber, (v) the credit enhancement guarantee to be provided by the Subscriber to lower the Group's financing costs and (vi) synergy effects to be brought by the Subscriber to the Group in future cooperation in the renewable energy industry where the Subscriber masters leading industry expertise. As of the date of this announcement, there is no concrete plan for the parties' future cooperation, and there is no profit forecast or other financial information available in relation to this future plan.

Our analysis on the Subscription Price is set out further in the section headed "Evaluation of the Subscription Price" below.

(c) Conditions of the Subscription

The Subscription is conditional upon satisfaction (or waiver (i) by the Subscriber in the case of paragraphs (a) and (c) in respect of undertakings and warranties given by the Company or (ii) by the Company in the case of (b) and (c) in respect of the undertakings and warranties given by the Subscriber) of the following conditions:

(a) the Subscriber having completed due diligence on the legal, financial, business and other aspects of the Company and the Group;

(b) execution and delivery of an undertaking letter by the Subscriber and its affiliates (if applicable) in favour of the Company to provide RMB8,000,000,000 to RMB10,000,000,000 credit enhancement guarantee depending on the specific requirements of the Company in the upcoming three years;

(c) the undertakings and warranties given by the Subscriber and the Company in the schedules to Subscription Agreement remaining true and accurate in all material respects;

(d) prior to the Completion, there being no governmental action, court order, proceeding, inquiry or investigation to render the Subscription illegal or to impose a prohibition or restriction on the Subscription;

(e) the Shareholders (or the Independent Shareholders, as the case may be) passing all necessary resolutions to be proposed at the SGM which are necessary for the transactions contemplated under the Subscription Agreement to be effective in compliance with the Listing Rules and the Takeovers Code, including but not limited, to approve:

    i. the entering into, delivering and performance of the Subscription Agreement and the transactions contemplated thereunder;

    ii. the granting of the Specific Mandate for the allotment and issue of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement;

    iii. the Whitewash Waiver; and

    iv. the proposed Increase in Authorised Share Capital;

(f) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Subscription Shares to be issued (and such approval not being subsequently revoked prior to the Completion);

(g) the Executive granting the Whitewash Waiver to the Subscriber and parties acting in concert with it and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted; and

(h) the Subscriber obtaining the following governmental approvals:

    i. approval from the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality;

    ii. consent or waiver from the Anti-monopoly Bureau of the State Administration for Market Regulation; and

    iii. consent or waiver from the Beijing Development and Reform Commission.

7. Evaluation of the Subscription Price

(a) Comparison of the Subscription Price

The Subscription Price of HK$0.25 per Subscription Share represents:

(i) a premium of approximately 7.8% over the closing price of HK$0.232 per Share as quoted on the Stock Exchange on 19 November 2019, being the Last Trading Day;

(ii) a premium of approximately 9.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK$0.229 per Share;

(iii) a premium of approximately 10.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day of approximately HK$0.227 per Share;

(iv) a premium of approximately 11.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.225 per Share;

(v) a premium of approximately 2.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK$0.245 per Share;

(vi) a premium of approximately 35.1% over the closing price of HK$0.185 per Share as quoted on the Stock Exchange on 9 December 2019, being the Latest Practicable Date;

(vii) a premium of approximately 29.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date of approximately HK$0.193 per Share;

(viii) a premium of approximately 25.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date of approximately HK$0.200 per Share;

(ix) a premium of approximately 15.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Latest Practicable Date of approximately HK$0.217 per Share;

(x) a premium of approximately 4.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Latest Practicable Date of approximately HK$0.240 per Shares;

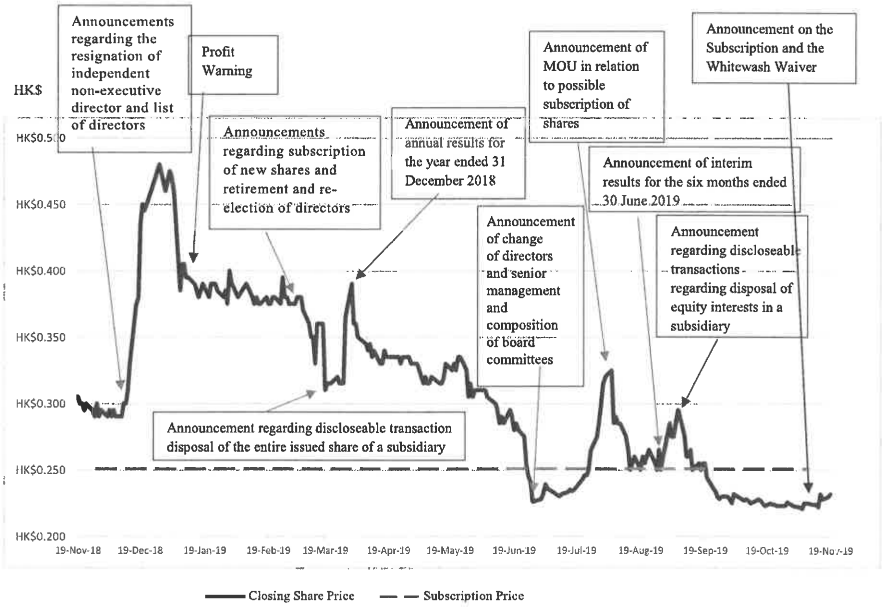
(xi) a discount of approximately 59.7% to the NAV per Share as at 31 December 2018 of approximately RMB0.56 (equivalent to approximately HK$0.63) (calculated by dividing the NAV as at 31 December 2018 as shown in the 2018 Annual Report of approximately RMB5,295 million by 9,529,811,467 Shares in issue as at 31 December 2018); and

(xii) a discount of approximately 49.0% to the NAV per Share as at 30 June 2019 of approximately RMB0.44 (equivalent to approximately HK$0.49) (calculated by dividing the NAV as at 30 June 2019 as shown in the 2019 Interim Report of approximately RMB6,690 million by 15,251,004,934 Shares in issue as at 30 June 2019).

As set out above, it is noted that the Subscription Price of HK$0.25 per Subscription Share generally represents premiums over the historical closing prices of the Shares and discounts to the net asset value per Share of the Company as at 31 December 2018 and 30 June 2019.

(b) Review of historical Share price performance

The following chart depicts the daily closing price of the Shares as quoted on the Stock Exchange for the period from 19 November 2018, being the date falling one year prior to the Subscription Announcement, up to and including the Last Trading Day (the "**Review Period**"):



Source: HKEx

As illustrated in the chart above, the closing Share price ranged from HK$0.221 to HK$0.48 per Share during the Review Period, with an average closing price of approximately HK$0.305 per Share. The Subscription Price of HK$0.25 per Subscription Share lies towards the lower end of the range of the closing Share price in the Review Period. It represents a premium of approximately 13.1% over the lowest closing Share price, a discount of approximately 47.9% to the highest closing Share price and a discount of approximately 18.0% to the average closing Share price during the Review Period.

During the Review Period, by comparing the closing prices per Share with the respective latest NAV per Share in the corresponding period, we noted that (i) the average daily discount to NAV per Share was approximately 46.6% for the period from 19 November 2018, being the first trading day during the Review Period, to 29 March 2019, being the last trading day before the Company announced its results for FY2018, in such period, the lowest and highest daily discounts to NAV per Share were approximately 29.4% and 57.4% respectively, and the daily discounts to NAV per Share of 54 out of 88 trading days during such period were less than the relevant average daily discount to NAV per Share; (ii) the average daily discount to NAV per Share was approximately 53.8% for the period from 1 April 2019, being the first trading day after the Company announced its results for FY2018, to 30 August 2019, being the last trading day before the Company announced its results for HY2019, in such period, the lowest and highest daily discounts to NAV per Share were approximately 38.1% and 64.1% respectively, and the daily discounts to NAV per Share of 51 out of 103 trading days during such period were less than the relevant average daily discount to NAV per Share; and (iii) the average of daily discount to NAV per Share was approximately 51.6% for the period from 2 September 2019, being the first trading day after the Company announced its results for HY2019, to 19 November 2019, being the last trading day during the Review Period, in such period, the lowest and highest daily discounts to NAV per Share were approximately 39.8% and 54.9% respectively, and the daily discounts to NAV per Share of 15 out of 55 trading days during such period were less than the relevant average daily discount to NAV per Share.

Given (i) the deep discounts of the average closing Share prices during the Review Period to the relevant figures of NAV per Share as illustrated above, and (ii) the discount of the Subscription Price of approximately 49.0% to the NAV of the Group as at 30 June 2019 was comparable with the average daily NAV discount per Share of the corresponding period during the Review Period we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Review of the trading liquidity of the Shares

The table below sets out the total trading volume and the average daily trading volume of the Shares and the percentage of the average daily trading volume to the total number of issued Shares for each month during the Review Period:

Month	Total trading volume *(Shares)* *(Note 1)*	Number of trading days *(days)*	Average daily trading volume *(Shares)* *(Note 2)*	Percentage of the average daily trading volume over total number of issued Shares % *(Note 3)*
2018				
November	39,740,799	10	3,974,080	0.042%
December	391,687,929	18	21,760,441	0.228%
2019				
January	241,412,724	22	10,973,306	0.115%
February	126,624,023	17	7,448,472	0.078%
March	183,484,801	21	8,737,371	0.057%
April	130,914,885	19	6,890,257	0.045%
May	48,640,149	21	2,316,198	0.015%
June	130,427,000	19	6,864,579	0.045%
July	226,497,500	22	10,295,341	0.068%
August	330,795,799	22	15,036,173	0.099%
September	296,818,418	21	14,134,210	0.093%
October	59,206,786	21	2,819,371	0.019%
November (up to and including the Last Trading Day)	34,288,000	13	2,637,538	0.017%

Notes:

1. Source: HKEx

2. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period

3. For illustrative purpose only, based on total number of Shares in issue at the end of each month/period

As illustrated in the above table, the average daily trading volume was low during the Review Period, with a range from approximately 2.32 million Shares to approximately 21.76 million Shares, representing approximately 0.015% to 0.228% of total number of Shares in issue as at the end of the relevant month/period. We consider that the trading volume of the Shares has been thin as a whole during the Review Period.

Apart from the above, we have reviewed the average daily trading volume of the Reference Companies (as defined below) in the Review Period. We noted that the average daily trading volume of the Company was approximately 0.071% of the respective total number of Shares during the Review Period whilst the average daily trading volume of the Reference Companies ranged from 0.005% to 0.480% of the total number of their respective issued shares during the Review Period. As the average daily trading volume of the Company is within and lies towards the lower end of the range of that of the Reference Companies, we are of the view that the trading liquidity of the Company is also relatively low in the industry.

The low liquidity of the Shares may imply the lack of interest from potential investors to invest in the Shares, thus setting the Subscription Price at a discount to the NAV per Share could provide more incentive for the Subscriber to participate in the Subscription.

(c) ***Comparable companies' analysis***

According to the annual reports of the Company for the years ended 2016, 2017 and 2018, the Group has only one single reportable segment, which is solar energy segment.

For the purpose of our analysis of the Subscription Price, we have attempted to identify companies listed on the Stock Exchange which engage in businesses similar to and having similar income segment as the Group. We have attempted to identify companies listed on the Stock Exchange which recorded 100% of their total revenue from operation and management of solar power plants in the latest financial year based on disclosures contained in their respective latest published annual reports. Based on the above criteria, we have identified one company, namely GCL New Energy Holdings Ltd (Stock code: 0451). As we considered the sample size to be insufficient for our analysis, we have therefore extended our search and looked into companies. Given operation and management of wind power plants and development of hydropower are also one of the business segments of the Group, which, though did not record profits as those are in development phase, we therefore considered to include listed companies which recorded over 85% of their revenue from the operation and management of solar power plants as well as the other operation and management of wind power plants and development of hydropower in the most recent financial year as disclosed in their respective latest published annual reports in order to provide further reference for the purpose of our analysis. Based on the aforesaid criteria, we have identified four companies (altogether, the "**Reference Companies**"). We consider the list of Reference Companies is an exhaustive list based on the selection criteria as explained above.

Set out below are the details of the historical price-to-earnings ratio ("**PE Multiple**") and the price-to-book ratio ("**PB Multiple**") of the Reference Companies, computed based on the closing share prices of the Reference Companies as at the date of the Subscription Agreement and their published audited financial information for the most recent financial year as disclosed in their respective latest annual reports:

Company name	Principal business (Note 1)	Closing share price as at the date of the Subscription Agreement	Earnings per share	Book value per share	PE Multiple *(times)*	PB Multiple *(times)*	Average daily trading volume *(Note 5)*
GCL New Energy Holdings Ltd (451)	mainly two segments; solar energy segment is engaged in the sales of electricity and the construction, operation and management of solar power plants; and PCB segment is mainly engaged in the manufacture and sales of PCBs.	HK$0.220	HK$0.03	HK$0.36	7.33	0.61	0.071%
Huaneng Renewables Corporation Ltd. (958)	mainly engaged in wind power and solar power generation and sale in the PRC.	HK$2.990	HK$0.33	HK$6.09	9.06	0.49	0.480%
China Renewable Energy Investment Ltd. (987)	principally engaged in renewable energy business.	HK$0.182	HK$0.03	HK$0.69	6.07	0.26	0.005%
Concord New Energy Group Ltd. (182)	principally engaged in clean energy-related businesses.	HK$0.365	HK$0.07	HK$0.72	5.56	0.50	0.080%
The Company	**principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.**	**HK$0.25** (Note 2)	**loss**	**HK$0.62** (Note 4)	**N/A**	**0.40** (Note 3)	**0.071%**
				Minimum	5.56	0.26	0.005%
				Maximum	9.06	0.61	0.480%
				Average	7.00	0.47	0.159%
				Median	6.70	0.50	0.076%

Notes:

1. Source: Website of the Stock Exchange

2. Being the Subscription Price

3. Being the PB Multiple as implied by dividing the Subscription Price by the NAV as at 31 December 2018 per Share

4. For the purpose of this analysis, amounts denominated in RMB have been translated into HK$ at an exchange rate of RMB1:HK$1.1172

5. Percentage of the average daily trading volume over the respective total number of issued shares during the Review Period

As the Company recorded a loss attributable to the owners of the Company for FY2018, it is not possible to compute the PE Multiple implied by the Subscription Price.

The PB Multiples of the Reference Companies ranged from approximately 0.26 times to approximately 0.61 times, with a mean of 0.47 times and median of approximately 0.50 times. The PB Multiple implied by the Subscription Price of approximately 0.40 times is within the range above and slightly lower than the average of those of the Reference Companies.

Having considered the above, in particular (i) the Subscription Price falls within the range of the closing prices of the Shares during the Review Period; (ii) the discount of the Subscription Price to the NAV of the Group as at 30 June 2019 was comparable with the historical discount of the respective average closing Share price to the respective latest NAV in the corresponding period as mentioned in the section "Review of historical Share price performance" above; (iii) the trading volume of the Shares was generally thin and the Independent Shareholders may find it difficult to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares; and (iv) the implied PB Multiple of the Subscription Price is within the range and slightly lower than the average of the historical PB Multiples of the Reference Companies, we are of the view that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned.

8. Financial effects of the Subscription

(a) Working Capital

According to the 2019 Interim Report, as at 30 June 2019, the cash and bank balances of the Group amounted to approximately RMB222 million. Upon Completion, it is expected that the net proceeds of approximately HK$1,763.7 million from the Subscription will enhance the cash position and therefore the working capital of the Group.

(b) NAV

According to the 2019 Interim Report, the NAV was approximately RMB6,690 million as at 30 June 2019. Upon Completion, it is expected that the NAV will be increased by the amount of net proceeds from the Subscription of approximately HK1,763.7 million (equivalent to approximately RMB1,578.7 million assuming the exchange rate is RMB1 to HK$1.1172) and the Subscription is expected to have a positive effect on the NAV. On a per Share basis, given that the Subscription Price is lower than the NAV per Share as at 30 June 2019 of approximately RMB0.44 per Share, the NAV per Share is expected to decrease upon Completion.

Upon Completion, we note that the expected NAV would be approximately RMB8,217.1 million (being the sum of the NAV as at 30 June 2019 of approximately RMB6,690 million and the net proceeds from the Subscription of approximately RMB1,527.1 million) and the number of issued Shares as at Completion would be 22,427,948,432 Shares (being the sum of the number of issued Shares as at the Latest Practicable Date of 15,251,004,934 Shares and the number of Subscription Shares of 7,176,943,498 Shares). Hence, upon Completion, the NAV per Share would decrease from approximately RMB0.44 per Share to approximately RMB0.37 per Share, representing a decrease of approximately 15.9%.

(c) Gearing ratio

As at 30 June 2019, the Group's gearing ratio was approximately 70.3%. Upon Completion, the Group's net assets are expected to be increased by the amount of net proceeds from the Subscription and therefore the gearing ratio and capital structure of the Group are expected to improve.

9. Effects of the Subscription on shareholdings in the Company

As at the Latest Practicable Date, the Company has a total of 15,251,004,934 Shares in issue, and a total of 315,001,000 Share Options and 871,075,858 unlisted warrants remain outstanding.

Set out below are the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares); and (iii) upon Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and unlisted warrants).

Shareholders	As at the Latest Practicable Date (Note 1)		Upon Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares) (Note 2)		Upon Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and unlisted warrants) (Note 3)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
The Subscriber	–	–	7,176,943,498	32.00	7,176,943,498	30.39
China Merchants New Energy Group Limited and its parties acting in concert	3,469,281,329 *(Note 4)*	22.75	3,469,281,329 *(Note 4)*	15.47	3,832,229,603	16.23
China Huarong Overseas Investment Holdings Co., Limited	3,048,927.933 *(Note 5)*	19.99	3,048,837,933 *(Note 5)*	13.59	3,048,927,933	12.91
Huaqing Solar Power Limited	3,048,750,000 *(Note 6)*	19.99	3,048,750,000 *(Note 6)*	13.59	3,048,750,000	12.91
Directors	–	–	–	–	98,000,000 *(Note 7)*	0.42
Public Shareholders	5,684,045,672	37.27	5,684,045,672	25.35	6,409,174,256	27.14
Total	15,251,004,934	100.00	22,427,948,432	100.00	23,614,025,290	100.00

Notes:

1. These percentages are calculated based on 15,251,004,934 Shares in issue as at the Latest Practicable Date.

2. These percentages are calculated based on 22,427,948,432 Shares in issue upon Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

3. These percentages are calculated based on 23,614,025,290 Shares in issue upon Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares and upon full exercise of the existing Share Options and unlisted warrants).

4. These shares are held by the associates of and the parties acting in concert with China Merchants New Energy Group Limited (招商新能源集團有限公司)* (**"CMNEG"**) pursuant to an agreement under Section 317 of the SFO. CMNEG is indirectly owned as to 79.36% by China Merchants Group Limited* (招商局集團有限公司).

5. These shares are held by the subsidiaries of China Huarong Overseas Investment Holdings Co., Limited* (中國華融海外投資控股有限公司), which is an indirectly wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd.* (華融華僑資產管理股份有限公司), owned as to 91% by Huarong Zhiyuan Investment & Management Co., Ltd.* (華融致遠投資管理有限責任公司).

6. These shares are held by Huaqing Solar Power Limited, which is indirectly wholly-owned by Qingdao City Construction Investment (Group) Co., Ltd.* (青島城市建設投資(集團)有限責任公司).

7. Please refer to "Appendix III – 4. Disclosure of Interests – (a) Interests of Directors and Chief Executives" for details of relevant Directors' long positions in Share Options.

10. The Whitewash Waiver

Immediately after Completion, assuming there is no other change in the issued share capital of the Company, the Subscriber and parties acting in concert with it will be interested in 7,176,943,498 Shares, representing approximately 32.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make mandatory general offers for all the issued Shares and other relevant securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver which the Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the grant of Specific Mandate on the other hand, being separately approved by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll.

Shareholders should note that the Subscription is subject to the fulfilment or waiver (as the case may be) of the Conditions, including the granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the SGM for the Whitewash Waiver, which Conditions are not capable of being waived. If the Whitewash Waiver is not approved by the Independent Shareholders, the Subscription will not proceed, and the effects of the Subscription as discussed above will not be accrued.

OPINION AND RECOMMENDATION

In formulating our advice on the Subscription and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

(i) the net current liabilities position of the Group as at 30 June 2019 and the repayment obligation of the Group on the outstanding US$350 million senior unsecured bonds which will mature on 25 January 2020, the Group needs sufficient funding to support the Group's operation as well as alleviate the imminent financial difficulty to repay the abovementioned bond;

(ii) the Subscription Price falls within the range of the closing prices of the Shares during the Review Period, and represented premium our closing Share prices as discussed in the section headed "Comparison of the Subscription Price" above;

(iii) the Subscription Price is at a discount of approximately 49.0% to over the net asset value per Share as at 30 June 2019, which is within the range of the average daily discount to NAV per Share of the corresponding period during the Review Period, which demonstrated that the share is long traded with a deep discount to the net asset value of the Company;

(iv) the implied PB Multiple of the Subscription Price of approximately 0.40 times is within the range and slightly lower than the average of the PB Multiples of the Reference Companies;

(v) the low liquidity of the Shares may imply the lack of interest from potential investors to invest in the Shares, thus setting the Subscription Price at a discount to the NAV per Share could provide more incentive for the Subscriber to participate in the Subscription;

(vi) the Subscription will result in the Subscriber becoming the controlling Shareholder. The business network and experience of the Subscriber in the wind power and photovoltaics development sector is also expected to bring synergy for the future development and overall stable prospect of the Group's business, as mentioned in the section "Information of the Subscriber" above;

(vii) In view of the reputation and financial background of the Subscriber, the Company believes that the Subscription can enhance its credit rating, lower its financing costs and improve liquidity position of the Company, in particular to repay the outstanding US$350 million senior unsecured bonds which will mature on 25 January 2020; and

(viii) As a condition precedent of the Subscription, the Subscriber and its affiliates (if applicable) would deliver an undertaking letter in favour of the Company to provide RMB8,000,000,000 to RMB10,000,000,000 credit enhancement guarantee in the upcoming three years which can be regarded as further support to the Company.

OPINION AND RECOMMENDATION

Having taken into account the analysis set out above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms, and the terms of the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited

Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the investment banking and securities industry.