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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊猫绿色能源集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

**(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) CONNECTED TRANSACTIONS INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(III) RETIREMENT AND RE-ELECTION OF DIRECTORS;
AND
NOTICE OF SPECIAL GENERAL MEETING**

Joint Financial Advisers to the Company



CMB International Capital Limited



China Merchants Securities (HK) Co., Limited

Independent Financial Adviser to the Company in respect of the Connected Subscriptions



Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 9 to 34 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 35 to 36 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions and the transactions contemplated thereunder is set out on pages 37 to 61 of this circular.

A notice convening the SGM to be held at 11:30 a.m. on Monday, 18 March 2019 at Unit 1407, 14/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, is set out on pages SGM-1 to SGM-5 of this circular. The record date for the purpose of determining Shareholders' eligibility to attend and vote at the SGM is Tuesday, 12 March 2019. A form of proxy for the SGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

1 March 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it in the Hong Kong Code on Takeovers and Mergers
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“CMBI”	CMB International Capital Limited (招銀國際融資有限公司), an indirect subsidiary of CMG, is licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO in Hong Kong
“CMG”	China Merchants Group Limited (招商局集團有限公司), an indirect substantial shareholder of the Company
“CMNEG”	China Merchants New Energy Group Limited (招商新能源集團有限公司), a company incorporated in the BVI with limited liability and an indirect subsidiary of CMG, and, together with its holding company, a substantial shareholder of the Company

DEFINITIONS

“CMS”	China Merchants Securities (HK) Co., Limited (招商證券(香港)有限公司), an indirect subsidiary of CMG, is licensed to carry on type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO in Hong Kong
“Company”	Panda Green Energy Group Limited (熊貓綠色能源集團有限公司), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 686)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules and “connected” shall be construed accordingly
“Connected Subscribers”	collectively, the Second Subscriber I, the Second Subscriber II, the Third Subscriber and the Fourth Subscriber
“Connected Subscriptions”	collectively, the Second Subscription I, the Second Subscription II, the Third Subscription and the Fourth Subscription
“Connected Subscription Agreements”	collectively, the Second Subscription I Agreement, the Second Subscription II Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement
“Director(s)”	the director(s) of the Company
“First Subscriber” or “Huaqing”	Huaqing Solar Power Limited (華青光伏有限公司), a company incorporated in the BVI with limited liability
“First Subscription”	the subscription for the First Subscription Shares by the First Subscriber pursuant to the First Subscription Agreement
“First Subscription Agreement”	the subscription agreement dated 20 January 2019 (as amended by and supplemented by the Supplemental First Subscription Agreement) and entered into between the Company and the First Subscriber in respect of the First Subscription

DEFINITIONS

“First Subscription Price”	the subscription price of HK\$0.3 per First Subscription Share
“First Subscription Share(s)”	3,048,750,000 new Shares to be allotted and issued pursuant to the First Subscription Agreement
“Fourth Subscriber”	Asia Pacific Energy and Infrastructure Investment Group Limited (亞太能源及基礎設施投資集團有限公司), a company incorporated in the BVI with limited liability, an associate of He Bing who is a shareholder of the Company, and one of the Connected Subscribers
“Fourth Subscription”	the subscription for the Fourth Subscription Shares by the Fourth Subscriber pursuant to the Fourth Subscription Agreement
“Fourth Subscription Agreement”	the subscription agreement dated 20 January 2019 (as amended and supplemented by the Supplemental Fourth Subscription Agreement) and entered into between the Company and the Fourth Subscriber in respect of the Fourth Subscription
“Fourth Subscription Price”	the subscription price of HK\$0.3 per Fourth Subscription Share
“Fourth Subscription Share(s)”	382,396,814 new Shares to be allotted and issued pursuant to the Fourth Subscription Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaqing Loan”	a loan due by the Company to Huaqing in the sum of US\$123,375,000 (equivalent to approximately HK\$962,325,000) due in December 2019 bearing an interest rate of 13.41% per annum
“Independent Board Committee”	an independent committee of the Board which comprises all independent non-executive Directors in compliance with the Listing Rules, who will have no direct or indirect interest in the Connected Subscription Agreements

DEFINITIONS

“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a licensed corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Connected Subscribers and their associates, and those who are required to abstain from voting in the SGM to consider and approve the Connected Subscription Agreements under the Listing Rules
“Last Trading Day”	18 January 2019, being the last trading day of the Shares immediately before the Subscription Agreements
“Latest Practicable Date”	28 February 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 March 2019 or such later date as the parties to each of the First Subscription Agreement, the Second Subscription I Agreement, the Second Subscription II Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement may agree
“Mr. Chen”	Mr. Chen Hongsheng, an independent non-executive Director who was appointed by the Board to fill a casual vacancy on the Board on 21 January 2019 and subject to re-election at the SGM
“Mr. Li”	Mr. Li Guangqiang, an executive Director who was appointed by the Board to fill a casual vacancy on the Board on 11 October 2018 and subject to re-election at the SGM

DEFINITIONS

“ORIX”	ORIX Asia Capital Limited (歐力士亞洲資本有限公司), a company incorporated in Hong Kong with limited liability, a substantial shareholder of the Company as at the Latest Practicable Date but a public shareholder after the completion of the Subscriptions
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Qingdao Investment”	青島城市建設投資(集團)有限責任公司 (transliterated as Qingdao City Construction Investment (Group) Co. Limited), a state-owned enterprise in the PRC
“Second Subscriber I”	深圳國調招商併購股權投資基金合夥企業(有限合夥)(transliterated as State-Owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP)), an entity established in the PRC and a nominee of CMNEG, and one of the Connected Subscribers
“Second Subscriber II”	深圳市國協一期股權投資基金合夥企業(有限合夥)(transliterated as Shenzhen City Guoxie First Equity Investment Fund (LP)), an entity established in the PRC and a nominee of CMNEG, and one of the Connected Subscribers
“Second Subscription I”	the subscription for the Second Subscription I Shares by the Second Subscriber I pursuant to the Second Subscription I Agreement
“Second Subscription II”	the subscription for the Second Subscription II Shares by the Second Subscriber II pursuant to the Second Subscription II Agreement
“Second Subscription I Agreement”	the subscription agreement dated 20 January 2019 and entered into between the Company and the Second Subscriber I in respect of the Second Subscription I

DEFINITIONS

“Second Subscription II Agreement”	the subscription agreement dated 20 January 2019 and entered into between the Company and the Second Subscriber II in respect of the Second Subscription II
“Second Subscription Agreements”	collectively, the Second Subscription I Agreement and Second Subscription II Agreement
“Second Subscription I Price”	the subscription price of HK\$0.3 per Second Subscription I Share
“Second Subscription II Price”	the subscription price of HK\$0.3 per Second Subscription II Share
“Second Subscription I Share(s)”	no less than 909,201,407 new Shares and no more than 1,216,793,309 new Shares to be allotted and issued pursuant to the Second Subscription I Agreement
“Second Subscription II Share(s)”	135,199,257 new Shares to be allotted and issued pursuant to the Second Subscription II Agreement
“Second Subscriptions”	collectively, the Second Subscription I and Second Subscription II
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to approve, among other things, the Subscription Agreements and the Specific Mandates and the re-election of retiring Directors
“Share(s)”	the ordinary shares of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Specific Mandate(s)”	the authority to be sought from the Shareholders (and/or Independent Shareholders, as the case may be) to authorise the Board to issue the Subscription Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, the First Subscriber, the Second Subscriber I, Second Subscriber II, the Third Subscriber and the Fourth Subscriber
“Subscription Agreements”	collectively, the First Subscription Agreement, the Second Subscription I Agreement, the Second Subscription II Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.3 per Subscription Share
“Subscription Share(s)”	collectively, the First Subscription Shares, the Second Subscription I Shares, the Second Subscription II Shares, the Third Subscription Shares and the Fourth Subscription Shares
“Subscriptions”	collectively, the First Subscription, the Second Subscription I, the Second Subscription II, the Third Subscription and the Fourth Subscription
“Supplemental First Subscription Agreement”	the supplemental subscription agreement dated 21 February 2019 and entered into between the Company and the First Subscriber in respect of the First Subscription
“Supplemental Fourth Subscription Agreement”	the supplemental subscription agreement dated 21 February 2019 and entered into between the Company and the Fourth Subscriber in respect of the Fourth Subscription
“Third Subscriber”	China Huarong Overseas Investment Holdings Co., Limited (中國華融海外投資控股有限公司), a company incorporated in Hong Kong with limited liability, an indirect substantial shareholder of the Company, and one of the Connected Subscribers
“Third Subscription”	the subscription for the Third Subscription Shares by the Third Subscriber pursuant to the Third Subscription Agreement
“Third Subscription Agreement”	the subscription agreement dated 20 January 2019 and entered into between the Company and the Third Subscriber in respect of the Third Subscription

DEFINITIONS

“Third Subscription Price”	the subscription price of HK\$0.3 per Third Subscription Share
“Third Subscription Share(s)”	938,054,087 new Shares to be allotted and issued pursuant to the Third Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.

In this circular, translation of US\$ into HK\$ based on the exchange rate of US\$1.00 to HK\$7.80. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or United States dollars have been, could have been or may be converted at such or any other rate or at all.

In this circular, translation of RMB into HK\$ based on the exchange rate of RMB1.00 to HK\$1.155. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

LETTER FROM THE BOARD



熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊貓綠色能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

Executive Directors:

Mr. Li, Alan (*Chairman and Chief Executive Officer*)
Mr. Lu Zhenwei (*Co-Chairman*)
Mr. Yu Qiuming (*Co-Chief Executive Officer*)
Mr. Li Hong
Mr. Li Guangqiang

Non-executive Directors

Mr. Tang Wenyong
Mr. Li Hao
Ms. Xie Yi

Independent non-executive Directors:

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Chen Hongsheng

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 1012, 10/F.
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

1 March 2019

To the Shareholders

Dear Sir/Madam,

**(I) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) CONNECTED TRANSACTIONS INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(III) RETIREMENT AND RE-ELECTION OF DIRECTORS;
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 20 January 2019 and 21 February 2019 respectively in relation to the Subscriptions.

LETTER FROM THE BOARD

The purposes of this circular are to provide you:

- (i) a letter from the Board containing further details of the Subscription Agreements and the transactions contemplated thereunder;
- (ii) the opinions of the Independent Financial Adviser in respect of the Connected Subscription Agreements and the transactions contemplated thereunder;
- (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Connected Subscription Agreements and the transactions contemplated thereunder;
- (iv) notice of convening the SGM;
- (v) other information as required under the Listing Rules; and
- (vi) the re-election of the retiring Directors.

THE SUBSCRIPTIONS

(A) The First Subscription Agreement (as amended and supplemented by the Supplemental First Subscription Agreement dated 21 February 2019)

Date: 20 January 2019

Parties: (i) the Company; and
(ii) the First Subscriber

The First Subscriber is a company incorporated in the BVI with limited liability. The First Subscriber is principally engaged in investment holding.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the First Subscriber does not hold any Shares. As at the Latest Practicable Date, the Company is indebted to the First Subscriber the Huaqing Loan. Save as disclosed, the First Subscriber and its ultimate beneficial owner are parties independent of the Company and the connected persons of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

The First Subscription Shares

Pursuant to the First Subscription Agreement, the First Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 3,048,750,000 new Shares. The First Subscription Shares to be allotted and issued represent (i) approximately 31.99% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 24.24% of the entire issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares only; and (iii) approximately 19.99% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The First Subscription Price

The First Subscription Price is HK\$0.3 per First Subscription Share, which represents (i) a discount of approximately 23.08% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 22.28% to the average of the closing prices of HK\$0.386 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 60.94% to the unaudited net asset value per Share of RMB0.665 (equivalent to HK\$0.768) as at 30 June 2018.

On the completion of the First Subscription Agreement, the Company and the First Subscriber will enter into a deed of set-off, pursuant to which all the aggregate First Subscription Price in the sum of HK\$914,625,000 payable by the First Subscriber to the Company shall be set off against an equivalent amount of the Huaqing Loan on a dollar-for-dollar basis.

Conditions of the First Subscription

The completion of the First Subscription is conditional upon, among others, the following conditions being satisfied:

- (i) the passing by the Shareholders at the SGM in accordance with the requirements of the Listing Rules of resolutions approving the First Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue under a specific mandate of the First Subscription Shares;
- (ii) the Listing Committee of the Stock Exchange granting approval (subject to allotment) for the listing of and permission to deal in the First Subscription Shares to be issued and such approval not being subsequently revoked;

LETTER FROM THE BOARD

- (iii) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the First Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and
- (iv) all necessary consents, licenses and approvals required to be obtained on the part of the First Subscriber in respect of the First Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

The parties to the First Subscription Agreement shall use all endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as the parties to the First Subscription Agreement may agree. In the event that all the conditions have not been fulfilled by the Long Stop Date and the Company and the First Subscriber have not agreed to extend the Long Stop Date upon the expiry of the Long Stop Date, the First Subscription Agreement will be terminated and ceased to be effective, and neither parties have obligations and liabilities thereafter save for any antecedent breach.

Completion of the First Subscription

The completion of the First Subscription will take place on the third Business Day after the conditions of the First Subscription have been fulfilled (or such other date and time as may be agreed between the Company and the First Subscriber). On the completion of the First Subscription, the First Subscriber shall effect payment of the aggregate First Subscription Price in full, and the Company shall simultaneously, among others, allot and issue the First Subscription Shares to the First Subscriber free and clear of all encumbrances and on terms that they rank *pari passu* in all respects with the existing issued Shares and issue the relevant share certificate(s) in the name of the First Subscriber (or its nominee).

The First Subscription Agreement and each of the Second Subscription I Agreement, the Second Subscription II Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement are not inter-conditional from upon other.

(B) The Second Subscription Agreements

(I) The Second Subscription I Agreement

Date: 20 January 2019

Parties: (i) the Company; and
(ii) the Second Subscriber I

LETTER FROM THE BOARD

The Second Subscriber I is an investment fund established in the PRC. As the general partner of the Second Subscriber I is an indirect wholly-owned subsidiary of CMG, the Second Subscriber I is an associate of CMNEG. The Second Subscriber I is a nominee of CMNEG, to enter into the Second Subscription I Agreement to subscribe for up to 1,216,793,309 new Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Second Subscriber I was not interested in any Shares. CMNEG and its parties acting in concert were beneficially interested in 2,117,288,763 Shares, which represented approximately 22.22% of the entire issued share capital of the Company as at the Latest Practicable Date. The Second Subscriber I and its ultimate beneficial owners, being associates of CMNEG, are connected persons of the Company as at the Latest Practicable Date.

The Second Subscription I Shares

Pursuant to the Second Subscription I Agreement, the Second Subscriber I has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue up to a maximum of 1,216,793,309 new Shares. The Second Subscription I Agreement further provides that CMNEG, its associates and their respective parties acting in concert shall in no event hold 30% or more shareholding of the Company as a result of the Second Subscription I. Hence, depending on the shareholding of CMNEG, its associates and their respective parties acting in concert upon completion of the Second Subscriptions, the Company has the absolute discretion to issue less Second Subscription I Shares, but no less than 909,201,407 new Shares, so that CMNEG, its associates and their respective parties acting in concert shall in no event hold 30% or more of the shareholding of the Company as a result of the Second Subscriptions.

The maximum number of Second Subscription I Shares to be allotted and issued represent (i) approximately 12.77% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 11.32% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription I Shares only; and (iii) approximately 7.98% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

LETTER FROM THE BOARD

The Second Subscription I Price

The maximum aggregate Second Subscription I Price is HK\$365,037,992.70, representing HK\$0.3 per Second Subscription I Share, which shall be payable in full in cash at completion of the Second Subscription I Agreement. The Second Subscription I Price represents (i) a discount of approximately 23.08% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 22.28% to the average of the closing prices of HK\$0.386 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 60.94% to the unaudited net asset value per Share of RMB0.665 (equivalent to HK\$0.768) as at 30 June 2018.

Conditions of the Second Subscription I

The completion of the Second Subscription I is conditional upon, among others, the following conditions being satisfied:

- (i) the passing by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules of resolutions approving the Second Subscription I Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue under a specific mandate of the maximum Second Subscription I Shares;
- (ii) the Listing Committee of the Stock Exchange granting approval (subject to allotment) for the listing of and permission to deal in the Second Subscription I Shares to be issued and such approval not being subsequently revoked;
- (iii) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the Second Subscription I Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (iv) all necessary consents, licenses and approvals required to be obtained on the part of the Second Subscriber I in respect of the Second Subscription I Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (v) the Second Subscriber I having obtained approval from the relevant government authority of the PRC to be a qualified domestic institutional investor;

LETTER FROM THE BOARD

- (vi) the Company having complied with all of its obligations under the Second Subscription I Agreement;
- (vii) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to completion of the Second Subscription I (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the Second Subscription I;
- (viii) there having been no occurrence of a material adverse change on or prior to completion of the Second Subscription I; and
- (ix) the representations and warranties made by the Company to the Second Subscriber I (except for those warranties which are expressly made as of a different date, in which case such warranties shall have been true and accurate in all respects and not misleading in any respect on such date) remaining true and accurate in all respects and not misleading in any respect on the date of completion of the Second Subscription I.

The conditions set out in paragraphs (iv) to (ix) above may be waived by the Second Subscriber I. In respect to condition (v) above, as advised by the Second Subscriber I, in view that it is a PRC domestic entity, under the PRC laws, it is a mandatory requirement for it to obtain approval and be a recognised qualified domestic institutional investor before it can transfer fund to Hong Kong.

The parties to the Second Subscription I Agreement shall use all reasonable endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as the parties to the Second Subscription I Agreement may agree. In the event that all the conditions have not been fulfilled (or waived as the case may be) by the Long Stop Date and the Company and the Second Subscriber I have not agreed to extend the Long Stop Date upon the expiry of the Long Stop Date, the Second Subscription I Agreement will be terminated and ceased to be effective, and neither parties have obligations and liabilities thereafter save for any antecedent breach.

LETTER FROM THE BOARD

Completion of the Second Subscription I

The completion of the Second Subscription I will take place on the third Business Day after the conditions of the Second Subscription I have been fulfilled (or such other date and time as may be agreed in writing between the Company and the Second Subscriber I). On the completion of the Second Subscription I, the Second Subscriber I shall effect payment of the aggregate Second Subscription I Price in full, and the Company shall simultaneously, among others, allot and issue the Second Subscription I Shares to the Second Subscriber I free and clear of all encumbrances and on terms that they rank *pari passu* in all respects with the existing issued Shares and issue the relevant share certificate(s) in the name of the Second Subscriber I (or its nominee).

The Second Subscription I Agreement and each of the First Subscription Agreement, the Second Subscription II Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement are not inter-conditional from upon other.

(II) The Second Subscription II Agreement

Date: 20 January 2019

Parties: (i) the Company; and
(ii) the Second Subscriber II

The Second Subscriber II is an investment fund established in the PRC. The general partner of the Second Subscriber II is an indirect wholly-owned subsidiary of CMG, the Second Subscriber II is an associate of CMNEG. The Second Subscriber II is a nominee of CMNEG, to enter into the Second Subscription II Agreement to subscribe for 135,199,257 new Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Second Subscriber II was not interested in any Shares. CMNEG and its parties acting in concert were beneficially interested in 2,117,288,763 Shares, which represented approximately 22.22% of the entire issued share capital of the Company as at the Latest Practicable Date. The Second Subscriber II and its ultimate beneficial owners, being associates of CMNEG, are connected persons of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Second Subscription II Shares

Pursuant to the Second Subscription II Agreement, the Second Subscriber II has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 135,199,257 new Shares. The Second Subscription II Shares to be allotted and issued represent (i) approximately 1.42% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 1.40% of the entire issued share capital of the Company as enlarged by the issue of the Second Subscription II Shares only; and (iii) approximately 0.89% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Second Subscription II Price

The total Second Subscription II Price is HK\$40,559,777.10, representing HK\$0.3 per Second Subscription II Share, which shall be payable in full in cash at completion of the Second Subscription II Agreement. The Second Subscription II Price represents (i) a discount of approximately 23.08% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 22.28% to the average of the closing prices of HK\$0.386 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 60.94% to the unaudited net asset value per Share of RMB0.665 (equivalent to HK\$0.768) as at 30 June 2018.

Conditions of the Second Subscription II

The completion of the Second Subscription II is conditional upon, among others, the following conditions being satisfied:

- (i) the passing by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules of resolutions approving the Second Subscription II Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue under a specific mandate of the Second Subscription II Shares;
- (ii) the Listing Committee of the Stock Exchange granting approval (subject to allotment) for the listing of and permission to deal in the Second Subscription II Shares to be issued and such approval not being subsequently revoked;
- (iii) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the Second Subscription II Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

LETTER FROM THE BOARD

- (iv) all necessary consents, licenses and approvals required to be obtained on the part of the Second Subscriber II in respect of the Second Subscription II Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (v) the Second Subscriber II having obtained approval from the relevant government authority of the PRC to be a qualified domestic institutional investor;
- (vi) the Company having complied with all of its obligations under the Second Subscription II Agreement;
- (vii) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to completion of the Second Subscription II (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the Second Subscription II;
- (viii) there having been no occurrence of a material adverse change on or prior to completion of the Second Subscription II; and
- (ix) the representations and warranties made by the Company to the Second Subscriber II (except for those warranties which are expressly made as of a different date, in which case such warranties shall have been true and accurate in all respects and not misleading in any respect on such date) remaining true and accurate in all respects and not misleading in any respect on the date of completion of the Second Subscription II.

The conditions set out in paragraphs (iv) to (ix) above may be waived by the Second Subscriber II. In respect to condition (v) above, as advised by the Second Subscriber II, in view that it is a PRC domestic entity, under the PRC laws, it is a mandatory requirement for it to obtain approval and be recognised as qualified domestic institutional investor before it can transfer fund to Hong Kong.

The parties to the Second Subscription II Agreement shall use all reasonable endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as the parties to the Second Subscription II Agreement may agree. In the event that all the conditions have not been fulfilled (or waived as the case may be) by the Long Stop Date and the Company and the Second Subscriber II have not agreed to extend the Long Stop Date upon the expiry of the Long Stop Date, the Second Subscription II Agreement will be terminated and ceased to be effective, neither parties have obligations and liabilities thereafter save for any antecedent breach.

LETTER FROM THE BOARD

Completion of the Second Subscription II

The completion of the Second Subscription II will take place on the third Business Day after the conditions of the Second Subscription II have been fulfilled (or such other date and time as may be agreed in writing between the Company and the Second Subscriber II). On the completion of the Second Subscription II, the Second Subscriber II shall effect payment of the aggregate Second Subscription II Price in full, and the Company shall simultaneously, among others, allot and issue the Second Subscription II Shares to the Second Subscriber II free and clear of all encumbrances and on terms that they rank *pari passu* in all respects with the existing issued Shares and issue the relevant share certificate(s) in the name of the Second Subscriber II (or its nominee).

The Second Subscription II Agreement and each of the First Subscription Agreement, the Second Subscription I Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement are not inter-conditional from upon other.

(C) The Third Subscription Agreement

Date: 20 January 2019

Parties: (i) the Company; and
(ii) the Third Subscriber

The Third Subscriber is a company incorporated in Hong Kong with limited liability. The Third Subscriber is principally engaged in investment holding.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Third Subscriber did not hold any Shares but its subsidiaries were interested in 2,110,257,846 Shares, which represented approximately 22.14% of the entire issued share capital of the Company as at the Latest Practicable Date. The Third Subscriber and its ultimate beneficial owner are connected persons of the Company as at the Latest Practicable Date.

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The Third Subscription Shares

Pursuant to the Third Subscription Agreement, the Third Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 938,054,087 new Shares. The Third Subscription Shares to be allotted and issued represent (i) approximately 9.84% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 8.96% of the entire issued share capital of the Company as enlarged by the issue of the Third Subscription Shares only; and (iii) approximately 6.15% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Third Subscription Price

The total Third Subscription Price is HK\$281,416,226.10, representing HK\$0.3 per Third Subscription Share, which shall be payable in full in cash at the completion of the Third Subscription. The Third Subscription Price represents (i) a discount of approximately 23.08% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 22.28% to the average of the closing prices of HK\$0.386 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 60.94% to the unaudited net asset value per Share of RMB0.665 (equivalent to HK\$0.768) as at 30 June 2018.

Conditions of the Third Subscription

The completion of the Third Subscription is conditional upon, among others, the following conditions being satisfied:

- (i) the passing by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules of resolutions approving the Third Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue under a specific mandate of the Third Subscription Shares;
- (ii) the Listing Committee of the Stock Exchange granting approval (subject to allotment) for the listing of and permission to deal in the Third Subscription Shares to be issued and such approval not being subsequently revoked;
- (iii) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the Third Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and

LETTER FROM THE BOARD

- (iv) all necessary consents, licenses and approvals required to be obtained on the part of the Third Subscriber in respect of the Third Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

The parties to the Third Subscription Agreement shall use all endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as the parties to the Third Subscription Agreement may agree. In the event that all the conditions have not been fulfilled by the Long Stop Date and the Company and the Third Subscriber have not agreed to extend the Long Stop Date upon the expiry of the Long Stop Date, the Third Subscription Agreement will be terminated and ceased to be effective, neither parties have obligations and liabilities thereafter save for any antecedent breach.

Completion of the Third Subscription

The completion of the Third Subscription will take place on the third Business Day after the conditions of the Third Subscription have been fulfilled (or such other date and time as may be agreed between the Company and the Third Subscriber). On the completion of the Third Subscription, the Third Subscriber shall effect payment of the aggregate Third Subscription Price in full, and the Company shall simultaneously, among others, allot and issue the Third Subscription Shares to the Third Subscriber free and clear of all encumbrances and on terms that they rank *pari passu* in all respects with the existing issued Shares and issue the relevant share certificate(s) in the name of the Third Subscriber (or its nominee).

The Third Subscription Agreement and each of the First Subscription Agreement, the Second Subscription I Agreement, the Second Subscription II Agreement and the Fourth Subscription Agreement are not inter-conditional from upon other.

(D) The Fourth Subscription Agreement (as amended and supplemented by the Supplemental Fourth Subscription Agreement dated 21 February 2019)

Date: 20 January 2019

Parties: (i) the Company; and
(ii) the Fourth Subscriber

The Fourth Subscriber is a company incorporated in the BVI with limited liability. The Fourth Subscriber is principally engaged in investment holding.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the ultimate beneficial owner of the Fourth Subscriber was interested in 559,701,493 Shares, which represented approximately 5.87% of the entire issued share capital of the Company as at the Latest Practicable Date. Save as disclosed, the Fourth Subscriber does not hold any Shares. Mr. He Bing, the ultimate beneficial owner of the Fourth Subscriber, is the father of Ms. Xie Yi, a non-executive Director. Mr. He Bing is an associate of Ms. Xie Yi and so is the Fourth Subscriber. The Fourth Subscriber and its ultimate beneficial owner, being associates of Ms. Xie Yi, are connected persons of the Company as at the Latest Practicable Date.

The Fourth Subscription Shares

Pursuant to the Fourth Subscription Agreement, the Fourth Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 382,396,814 new Shares. The Fourth Subscription Shares to be allotted and issued represent (i) approximately 4.01% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 3.86% of the entire issued share capital of the Company as enlarged by the issue of the Fourth Subscription Shares only; and (iii) approximately 2.51% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Fourth Subscription Price

The total Fourth Subscription Price is HK\$114,719,044.2, representing HK\$0.3 per Fourth Subscription Share, which shall be payable in full in cash at Completion. The Fourth Subscription Price represents (i) a discount of approximately 23.08% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 22.28% to the average of the closing prices of HK\$0.386 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 60.94% to the unaudited net asset value per Share of RMB0.665 (equivalent to HK\$0.768) as at 30 June 2018.

Conditions of the Fourth Subscription

The completion of the Fourth Subscription is conditional upon, among others, the following conditions being satisfied:

- (i) the passing by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules of resolutions approving the Fourth Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue under a specific mandate of the Fourth Subscription Shares;

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- (ii) the Listing Committee of the Stock Exchange granting approval (subject to allotment) for the listing of and permission to deal in the Fourth Subscription Shares to be issued and such approval not being subsequently revoked;
- (iii) all necessary consents, licenses and approvals required to be obtained on the part of the Company in respect of the Fourth Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and
- (iv) all necessary consents, licenses and approvals required to be obtained on the part of the Fourth Subscriber in respect of the Fourth Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

The parties to the Fourth Subscription Agreement shall use all endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as the parties to the Fourth Subscription Agreement may agree. In the event that all the conditions have not been fulfilled by the Long Stop Date and the Company and the Fourth Subscriber have not agreed to extend the Long Stop Date upon the expiry of the Long Stop Date, the Fourth Subscription Agreement will be terminated and ceased to be effective, neither parties have obligations and liabilities thereafter save for any antecedent breach.

Completion of the Fourth Subscription

The completion of the Fourth Subscription will take place on the third Business Day after the conditions of the Fourth Subscription have been fulfilled (or such other date and time as may be agreed between the Company and the Fourth Subscriber). On the completion of the Fourth Subscription, the Fourth Subscriber shall effect payment of the aggregate Fourth Subscription Price in full, and the Company shall simultaneously, among others, allot and issue the Fourth Subscription Shares to the Fourth Subscriber free and clear of all encumbrances and on terms that they rank *pari passu* in all respects with the existing issued Shares and issue the relevant share certificate(s) in the name of the Fourth Subscriber (or its nominee).

The Fourth Subscription Agreement and each of the First Subscription Agreement the Second Subscription I Agreement, the Second Subscription II Agreement and the Third Subscription Agreement are not inter-conditional from upon other.

LETTER FROM THE BOARD

Prior to the entering into of the Subscription Agreements, the Company, through a potential placing agent, has approached some potential independent investors. However, due to the following reasons, none of them eventually decided to participate in the Subscriptions:

- (1) Hong Kong stock market was not very stable for the past few months and most of the potential independent investors tend to be cautious in making equity investment in the secondary market.
- (2) Most of the potential independent investors wanted to conduct more comprehensive due diligence on the Company, which will substantially delay the deal closing timetable.
- (3) Furthermore, the Company's share price performance has not been satisfactory in the last year. The share price plunged from HK\$1.02 as at 2 January 2018 to HK\$0.46 as at 31 December 2018. This limits the ability of the Company to attract third-party investors as the potential investors are concerned that the share price may not rebound in early 2019.

In view that (i) the Company is in urgent need to fund the repayment of its indebtedness and (ii) Huaqing also requested the Group to strengthen its capital base, the Company approached the Connected Subscribers and invited them to support the Company by participating in the Subscriptions.

The Subscription Price under each of the Subscription Agreements is the same and was arrived at after arm's length negotiations between the Company and each Subscriber with reference to (i) the financial position of the Group, (ii) the volume of the respective Subscription Shares to be subscribed for under the respective Subscription Agreements; and (iii) the liquidity and recent trading performance of the Shares taking into account that (a) the average of the closing price of HK\$0.342 per Share as quoted on the Stock Exchange for the three months immediately before the date of the Subscription Agreements; and (b) the share price of the Company plunged from HK\$ 1.02 as at 2 January 2018 to HK\$0.46 as at 31 December 2018, representing a drop of approximately 54.90%. The Subscribers therefore requested for a higher discount as compared with the usual discount limit of no more than 20% to the benchmarked price for issue of shares under the general mandate. Based on the abovementioned basis, the Directors considered that the Subscription Price and the terms of each Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Lock-up

Each of the Subscribers has irrevocably undertaken to the Company that from the date of completion of the its respective Subscriptions and until the first anniversary thereof, it shall not lend, sell, agree to sell, give an option to purchase or other forms of dealing with such Subscription Shares or use the Subscription Shares (in whole or in part) whether any of the foregoing transactions or arrangement is to be settled by delivery of such Subscription Shares or in cash or otherwise (altogether the “**Dealings**”) or released to the public any Dealings in respect of the Subscription Shares (in whole or in part) or enter into any intent to do any of the foregoing or deposit any of the Subscription Shares (in whole or in part) to any depository.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

The Subscription Shares, in aggregate, represent (i) approximately 60.03% of the existing issued share capital of the Company; and (ii) approximately 37.51% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares under the Subscriptions will be HK\$572,119,346.7.

Mandates to issue the Subscription Shares

The issue of the Subscription Shares is subject to approval by the Shareholders (or Independent Shareholders, as the case may be) at the SGM. Ordinary resolutions will be proposed at the SGM to seek, among other things, the Specific Mandates to issue the respective Subscription Shares under the respective Subscription Agreements.

The Specific Mandate to be sought at the SGM will be valid until 30 April 2019.

If the completion of the Subscriptions does not take place on or before 30 April 2019, the Company will re-comply with the requirement to seek for Shareholders’ approval for a new specific mandate if the conditions of the Subscriptions have not been fulfilled on or before the Long Stop Date.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

LETTER FROM THE BOARD

REASONS FOR THE SUBSCRIPTION AGREEMENTS

The Company is an investment holding company and operates its businesses through its subsidiaries. The Group is principally engaged in development, investment, operation and management of renewable energy power plants.

As shown in the interim report of the Company, as at 30 June 2018, the Company had total borrowing of approximately RMB20,799 million and gearing ratio was approximately 73.1%. By 30 April 2019, the Group will have approximately RMB939 million of indebtedness (including the principal and interest payment of bank borrowings (in the sum of approximately RMB454 million), finance leasing (in the sum of approximately RMB294 million), medium-terms notes (in the sum of approximately RMB93 million), senior notes (in the sum of approximately RMB96 million) and other borrowings (in the sum of approximately RMB2 million)) becoming due. The Huaqing Loan in the principal amount of US\$123,375,000 will become due in December 2019.

Notwithstanding the view of the Directors that the Group has the financial ability to meet the interest payments accrued on the borrowings, the Directors are mindful of the significant deterioration in economic and credit conditions that have affected the world economies in the past year. Given the uncertain economic outlook in the near to medium term, the Group is well conscious of the risk that the Company may not be able to obtain the necessary funding, either through debt or equity financing or both, to repay or refinance the loan and indebtedness when they fall due. The Directors also considered that it is not desirable to raise funds only when there is immediate need of funds as the cost of fund raising by then may be higher, and/or there are uncertainties as to whether the Group will be able to raise the amount of funding required for its business development by then, which may depend on the then prevailing market sentiments.

As to the Huaqing Loan, the Company has negotiated with Huaqing for the capitalisation of its loan due from the Company, which in the view of the Directors enables the Company to have a strategic investor and at the same time reduce cash outflow for repayment of the indebtedness to Huaqing.

The Directors had also explored the feasibility of conducting rights issue so as to allow all Shareholders to participate in the future development of the Company. Considering the total amount of funding required, if the Company were to carry out the rights issue, it is expected that a longer time frame would be required. Furthermore, the Connected Subscribers may not be willing to participate in the rights issue given that majority of the proceeds from rights issue will be used for repayment of borrowings without introducing a new strategic partner, like Huaqing, which may create synergy to the Group's business development.

LETTER FROM THE BOARD

Huaqing is an investment vehicle of Qingdao Investment, which is a state-owned enterprise in the PRC. One of the major investments of Qingdao Investment is the investment in clean and renewable energy, in particular, the solar energy in the PRC. Huaqing believes that the Group's investment in renewable energy power plants is in line with its own investment strategy, and the investment in the Group will be able to bring synergic effect to Qingdao Investment. On the other hand, the Directors consider that Qingdao Investment is a well-established state-owned enterprise with experience and expertise in the clean and renewable energy investment, and therefore the introduction of Qingdao Investment as a strategic investor of the Group will enhance the Group's competitiveness in clean and renewable energy industry in the PRC.

During the process of negotiating for Qingdao Investment's support to the Group, Qingdao Investment requested that the Group shall strengthen its capital base and shall also secure the support from the Connected Subscribers. The Connected Subscribers consider that under the global trend of green ecological transformation, the development of new energy is expected to continue to thrive with the support of national policies, the concerted efforts of the stakeholders in the industry as well as the attention of the public. In addition, the Connected Subscribers also share the view of the Directors that the introduction of Qingdao Investment as a strategic investor of the Group will be beneficial to the Group's development. The Connected Subscribers therefore agree to participate in the Subscriptions.

The overall Hong Kong capital market sentiment has been deteriorating since the beginning of 2018, caused by worries over the US-China trade war, China's slowing economy and rising interest rates. Against this backdrop, capital markets participants have become more cautious in solar energy industry because of the pessimistic prospective and uncertain government support. The Company has approached market investors and bankers in relation to a potential public secondary offering. However, the downturn capital markets limited the ability of the Company to attract other investors.

The Directors consider that it is in the interest of the Company and its Shareholders as a whole to strengthen the financial position of the Company by entering into the Subscriptions, which will enable the Company to expand its capital base and finance those clean energy projects in the PRC. The Directors consider that the terms and conditions of the Subscriptions, including the Subscription Price, are fair and reasonable.

The Directors are of the view that a new equity financing is an imminent priority of the Company and the Subscriptions are the most viable option for the Company. Given the high gearing ratio of the Company as mentioned above, the Subscriptions provide a good opportunity for the Company to raise equity funding to repay its outstanding liabilities, improve its financial position and mobilise further resources to develop the Group in the renewable energy industry of the PRC by, where appropriate, seeking suitable investment opportunities.

LETTER FROM THE BOARD

As such, the Directors believe that the Subscribers will bring in additional resources and investment opportunities to the Company that would be beneficial to the Company and the Shareholders as a whole. Having considered all the factors as mentioned above, the Directors considered that it is in the interest of the Company and the Shareholders as a whole to proceed with the Subscriptions.

The Directors are therefore of the view that the Subscriptions are in the interest of the Company and the Shareholders as a whole.

In the event that any of the Subscriptions is not able to be completed, the Company intends to seek short-term financing from Shareholders and/or financial institutions, where the Company will be required to pay a high financial cost. The Company may also consider to dispose certain power plants of the Group in order to meet the funding requirement of the Group. The Company has intention to further raise not less than US\$350 million syndication loan/senior notes to repay the senior notes which will mature in January 2020, which is expected to be completed in the third quarter of 2019. Further announcement(s) will be made by the Company in this respect as and when appropriate, in accordance with the Listing Rules.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

As shown in the interim report of the Company, as at 30 June 2018, the Group had total borrowing of approximately RMB20,799 million and gearing ratio was approximately 73.1%. By 30 April 2019, approximately RMB939 million of indebtedness of the Group, including the principal and interest payment of bank borrowings, finance leasing, medium-terms notes, senior notes and other borrowings, in the respective amount of approximately RMB454 million, RMB294 million, RMB93 million, RMB96 million and RMB2 million, will become due. The Huaqing Loan in the principal amount of US\$123,375,000 will become due in December 2019.

The maximum gross proceeds of the Subscriptions are expected of approximately HK\$1,716 million. After excluding the aggregate First Subscription Price where the subscription money will be set-off against the Huaqing Loan on a dollar-for-dollar basis, the gross proceeds of the Subscriptions will be approximately HK\$801 million. After deducting the expenses of approximately HK\$4 million (which include the professional fees payable to financial advisers, Independent Financial Adviser, legal advisers and financial printer), the net proceeds (excluding the aggregate First Subscription Price where the subscription money will be set-off against the Huaqing Loan on a dollar-for-dollar basis) are expected of approximately HK\$797 million (representing a net issue price of approximately HK\$0.299 per Subscription Share). The Director will apply approximately 98% of the proceeds for the repayment of indebtedness which will become due by 30 April 2019 and approximately 2% of the proceeds for general working capital of the Group.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURES

For illustration purposes, the changes of the shareholding structures of the Company as a result of the Subscriptions are as follows:

	Scenario (1)		Scenario (2)		Scenario (3)		Scenario (4)		Scenario (5)	
	As at the Latest Practicable Date and immediately before completion of the Subscriptions	Immediately after completion of the First Subscription only	Immediately after completion of the Second Subscription I and Second Subscription II only	Immediately after completion of the Third Subscription only	Immediately after completion of the Fourth Subscription only	Immediately after completion of all the Subscriptions	No. of Shares	Approximate %	No. of Shares	Approximate %
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
CMNEG and its parties acting in concert	2,117,288,763	22.22%	2,117,288,763	16.83%	2,117,288,763	20.02%	2,117,288,763	21.36%	2,117,288,763	13.88%
Second Subscriber I	-	-	909,201,407 ⁽¹⁾	8.60%	-	-	-	-	1,216,793,309	7.98%
Second Subscriber II	-	-	135,199,257	1.28%	-	-	-	-	135,199,257	0.89%
Sub-total	2,117,288,763	22.22%	2,117,288,763	16.83%	2,117,288,763	20.23%	2,117,288,763	21.36%	3,469,281,329	22.75%
First Subscriber	-	-	3,048,750,000	24.24%	-	-	-	-	3,048,750,000	19.99%
Third Subscriber and its subsidiaries	2,110,257,846	22.14%	2,110,257,846	16.78%	3,048,311,933	19.96%	2,110,257,846	21.29%	3,048,311,933	19.99%
Fourth Subscriber and its sole shareholder ⁽²⁾	559,701,493	5.87%	559,701,493	4.45%	559,701,493	5.29%	942,098,307	9.50%	942,098,307	6.18%
Directors	15,919,000	0.17%	15,919,000	0.13%	15,919,000	0.15%	15,919,000	0.16%	15,919,000	0.10%
Public Shareholders										
ORIX ⁽³⁾	1,074,138,234	11.27%	1,074,138,234	8.54%	1,074,138,234	10.16%	1,074,138,234	10.84%	1,074,138,234	7.04%
Other public Shareholders	3,652,506,131	38.33%	3,652,506,131	29.03%	3,652,506,131	34.51%	3,652,506,131	36.85%	3,652,506,131	23.95%
Total	9,529,811,467	100.00%	12,578,561,467	100.00%	10,467,865,554	100.00%	9,912,208,281	100.00%	15,251,004,934	100.00%

LETTER FROM THE BOARD

Notes:

- (1) According to the Second Subscription I Agreement, it is stipulated that CMNEG and its parties acting in concert (including the Second Subscriber I and the Second Subscriber II) shall in no event hold 30% or more shareholding of the Company as a result of the Second Subscriptions. If none of the Subscriptions have completed save for the Second Subscriptions, the Company has the absolute discretion to issue less Second Subscription I Shares, but no less than 909,201,407 new Shares, so that CMNEG and its parties acting in concert (including the Second Subscriber I and the Second Subscriber II) shall in no event hold 30% or more of the shareholding of the Company as a result of the Second Subscriptions.
- (2) Prior to the completion of the Fourth Subscription, Mr. He Bing, the sole ultimate beneficial owner of the Fourth Subscriber is interested in 559,701,493 Shares, which represent approximately 5.87% of the total issued share capital of the Company. Given that Mr. He Bing, the ultimate beneficial owner of the Fourth Subscriber, is the father of Ms. Xie Yi, a non-executive Director. Mr. He Bing is an associate of Ms. Xie Yi and so is the Fourth Subscriber. The Fourth Subscriber and its ultimate beneficial owner, being associates of Ms. Xie Yi, are not regarded as public shareholders.
- (3) Prior to the completion of the Subscriptions, ORIX holds approximately 11.27% of the total shareholding of the Company while upon completion of the Subscriptions, ORIX holds 7.04% of the total shareholdings of the Company as enlarged by the all Subscription Shares. ORIX is therefore regarded as a public shareholder upon completion of the Subscriptions.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

During the past twelve months immediately preceding the Latest Practicable Date, the Company has not conducted any equity fund raising activity.

RETIREMENT AND RE-ELECTION OF DIRECTORS

References are made to the announcements of the Company dated 10 October 2018 and 18 January 2019 in relation to the appointment of Mr. Li as an executive Director and Mr. Chen as an independent non-executive Director respectively.

In accordance with Bye-law 83(2) of the bye-laws of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting. Accordingly, each of Mr. Li and Mr. Chen will retire from office as a Director and, being eligible, offer himself for re-election at the SGM. Biographical details of Mr. Li and Mr. Chen are set out in the Appendix I to this circular.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

The Second Subscriber I, the Second Subscriber II and the Third Subscriber are associates of existing substantial Shareholders and are connected persons of the Company. Accordingly, the Second Subscription I, the Second Subscription II and the Third Subscription are connected transactions on the part of the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. He Bing, the ultimate beneficial owner of the Fourth Subscriber, is the father of Ms. Xie Yi, a non-executive Director. Mr. He Bing is an associate of Ms. Xie Yi and so is the Fourth Subscriber. The Fourth Subscriber is therefore regarded as a connected person of the Company by virtue of being an associate of Ms. Xie Yi. The Fourth Subscription is a connected transaction on the part of the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Li, Alan and Mr. Lu Zhenwei is an executive Director and Mr. Tang Wenyong is a non-executive Director. Each of them is also a director of CMNEG. All of the three Directors abstained from voting at the board meeting to approve the Subscription Agreements on 18 January 2019 by virtue of their connection with CMNEG.

Exempted connected transaction in relation to appointment of financial advisers

In contemplating for the Subscriptions, the Company has appointed each of CMBI and CMS as joint financial advisers to provide financial advisory services in respect of the transactions contemplated under the Subscription Agreements. The fees payable to CMBI and CMS as financial advisers were negotiated between the parties to the engagement at arm's length, taking into account, among other things, the services to be provided by CMBI and/or CMS under the engagement. The Directors (including the independent non-executive Directors) consider that the terms of the engagement of CMBI and CMS for the provision of financial advisory services are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

CMBI and CMS are indirect subsidiaries of CMG, an indirect substantial shareholder of the Company. CMBI and CMS are therefore connected persons of the Company, and the appointments of CMBI and CMS as joint financial advisers constitute connected transactions for the Company. As all the applicable percentage ratios are less than 5% and the total consideration is less than HK\$3,000,000 on an aggregate basis, these connected transactions are *de minimis* transactions under Rule 14A.76(1) of the Listing Rules and are fully exempted from the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

THE INDEPENDENT BOARD COMMITTEE AND THE SGM

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Connected Subscriptions (including the grant of the Specific Mandates) and the transactions contemplated thereunder. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions (including the grant of the Specific Mandates) and the transactions contemplated thereunder.

SGM

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Subscription Agreements and the transactions contemplated thereunder; (ii) the grant of the Specific Mandates; and (iii) the re-election of retiring Directors. The voting in relation to the Subscription Agreements, the Specific Mandates and the re-election of retiring Directors at the SGM will be conducted by way of a poll.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are interested or involved in the First Subscription and no Shareholders are required to abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the First Subscription Agreement and the Specific Mandate in respect of the First Subscription Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Connected Subscribers and its respective associates shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve its Subscription Agreement and the relevant Specific Mandate in respect of the relevant Subscription Shares. Hence, (i) CMNEG and its parties acting in concert, who were, in aggregate, interested in 2,117,288,763 Shares, representing approximately 22.22% of the entire issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Second Subscription I Agreement, the Second Subscription II Agreement and the Specific Mandates in respect of the Second Subscription I Shares and the Second Subscription II Shares respectively; (ii) the Third Subscriber (though who does not hold any Shares as at the Latest Practicable Date) and its associates, who were, in aggregate, interested in 2,110,257,846 Shares, representing approximately 22.14% of the entire issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Third Subscription Agreement and the Specific Mandate in respect of the Third Subscription Shares; and (iii) the Fourth Subscriber (though who does not hold any Shares as at the Latest Practicable Date) and its associate, namely Mr. He Bing who was interested in 559,701,493 Shares, representing approximately 5.87% of the entire issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Fourth Subscription Agreement and the Specific Mandate in respect of the Fourth Subscription Shares.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are required to abstain from voting in respect of the ordinary resolutions to approve the re-election of retiring Directors.

A notice convening the SGM to be held at 11:30 a.m. on Monday, 18 March 2019 at Unit 1407, 14/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, is set out on pages SGM-1 to SGM-5 of this circular for the purpose of considering and, if thought fit, passing the resolutions as set out therein. The record date for the purpose of determining Shareholders' eligibility to attend and vote at the SGM is Tuesday, 12 March 2019. In order to qualify for attending and voting at the SGM, all transfers of Shares accompanied by the relevant share certificates must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 11 March 2019.

A form of proxy for use by the Shareholders at the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM, or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the SGM shall demand voting on all resolutions set out in the notice of SGM be taken by way of poll.

The Subscriptions are subject to the satisfaction of a number of conditions as set out in the Subscription Agreements and, accordingly, the Subscriptions may or may not proceed. The issue of this circular does not in any way imply that the Subscription Agreements will be implemented or completed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 35 to 36 of the circular. The Independent Board Committee, having taken into account the advice from the Independent Financial Adviser, the text of which is set out on pages 37 to 61 of this circular, considers that the Connected Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the parties hereto and that the terms of the Connected Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Connected Subscription Agreements and the respective transactions contemplated thereunder, including the grant of the Specific Mandates to allot and issue the Subscription Shares upon under the Connected Subscription Agreements.

The Board considers that the terms of the Subscription Agreements are fair and reasonable and the entering into of the Subscription Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the relevant resolutions approving (i) the Subscription Agreements (including the First Subscription Agreement and the Connected Subscription Agreements) and the transactions contemplated thereunder, including the grant of the Specific Mandates to allot and issue the Subscription Shares under the Subscription Agreements (including the First Subscription Agreement and the Connected Subscription Agreements) at the SGM.

The Directors consider that the resolutions proposed for consideration and approval by the Shareholders in respect of the re-election of the retiring Directors, are in the best interests of the Company and its Shareholders as a whole and so recommend the Shareholders to vote in favour of the relevant resolutions at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

By Order of the Board
For and on behalf of
Panda Green Energy Group Limited
Li, Alan and Lu Zhenwei
Chairmen of the Board

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊貓綠色能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

1 March 2019

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company to the Shareholders dated 1 March 2019 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Connected Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscriptions and the transactions contemplated thereunder, as set out on pages 37 to 61 of the Circular and the letter from the Board set out on pages 9 to 34 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that (i) the terms of each of the Connected Subscription Agreements are on normal commercial terms and are fair and reasonable, although each of the Connected Subscriptions is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Connected Subscriptions and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,

Independent Board Committee

Mr. Kwan Kai Cheong

Mr. Yen Yuen Ho, Tony

Mr. Shi Dinghuan

Mr. Chen Hongsheng

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this Circular.



1 March 2019

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

Dear Sirs,

CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Connected Subscription Agreements and the transaction contemplated thereunder, details of which are set out in the announcements of the Company dated 20 January 2019 and 21 February 2019 respectively, as well as the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 1 March 2019 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On 20 January 2019, among others, at the nomination of CMNEG, the Company and the Second Subscriber I, being the nominee of CMNEG, entered into the Second Subscription I Agreement in relation to the Second Subscription I, pursuant to which the Second Subscriber I has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue up to a maximum of 1,216,793,309 new Shares, which represent (i) approximately 12.77% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 11.32% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription I Shares only; and (iii) approximately 9.97% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription I Shares, the Second Subscription II Shares, the Third Subscription Shares and the Fourth Subscription Shares (collectively, the “**Connected Subscription Share(s)**”), at the subscription price of HK\$0.3 per Second Subscription I Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 20 January 2019, at the nomination of CMNEG, the Company and the Second Subscriber II, being the nominee of CMNEG, entered into the Second Subscription II Agreement in relation to the Second Subscription II, pursuant to which the Second Subscriber II has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 135,199,257 new Shares, which represent (i) approximately 1.42% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 1.40% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription II Shares only; and (iii) approximately 1.11% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Connected Subscription Shares, at the subscription price of HK\$0.3 per Second Subscription II Share.

On 20 January 2019, the Company and the Third Subscriber entered into the Third Subscription Agreement in relation to the Third Subscription, pursuant to which the Third Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 938,054,087 new Shares, which represent (i) approximately 9.84% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 8.96% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Third Subscription Shares only; and (iii) approximately 7.69% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Connected Subscription Shares, at the subscription price of HK\$0.3 per Third Subscription Share.

On 20 January 2019, the Company and the Fourth Subscriber entered into the Fourth Subscription Agreement (as amended and supplemented by the Supplemental Fourth Subscription Agreement) in relation to the Fourth Subscription, pursuant to which the Fourth Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 382,396,814 new Shares, which represent (i) approximately 4.01% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 3.86% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Fourth Subscription Shares; and (iii) approximately 3.13% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Connected Subscription Shares, at the subscription price of HK\$0.3 per Fourth Subscription Share.

The Second Subscription I Agreement, the Second Subscription II Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement (as amended and supplemented by the Supplemental Fourth Subscription Agreement) are not inter-conditional upon each other.

The Second Subscriber I, the Second Subscriber II and the Third Subscriber are associates of the existing substantial Shareholders and the connected persons of the Company. Accordingly, the Second Subscription I, the Second Subscription II and the Third Subscription are connected transactions on the part of the Company under the Listing Rules and are subject to the announcement, reporting and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. He Bing, the ultimate beneficial owner of the Fourth Subscriber, is the father of Ms. Xie Yi, a non-executive Director. Mr. He Bing is an associate of Ms. Xie Yi and so is the Fourth Subscriber. The Fourth Subscriber is therefore regarded as a connected person of the Company by virtue of being an associate of Ms. Xie Yi. The Fourth Subscription is a connected transaction on the part of the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among others, (i) the Connected Subscription Agreements and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandates. The voting in relation to the Connected Subscription Agreements and the Specific Mandates at the SGM will be conducted by way of a poll. According to the Letter from the Board, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Connected Subscribers and its respective associates shall abstain from voting on its relevant ordinary resolution(s) to be proposed at the SGM to approve its relevant Connected Subscription Agreement and the relevant Specific Mandate in respect of the relevant Subscription Shares. Hence, (i) CMNEG and its parties acting in concert, who were, in aggregate, interested in 2,117,288,763 Shares, representing approximately 22.22% of the entire issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Second Subscription I Agreement, the Second Subscription II Agreement and the Specific Mandates in respect to the Second Subscription I Shares and the Second Subscription II Shares respectively; (ii) the Third Subscriber and its associates, who were, in aggregate, interested in 2,110,257,846 Shares, representing approximately 22.14% of the entire issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Third Subscription Agreement and the Specific Mandate in respect of the Third Subscription Shares; and (iii) the Fourth Subscriber and its associate, namely Mr. He Bing who was interested in 559,701,493 Shares, representing approximately 5.87% of the entire issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Fourth Subscription Agreement (as amended and supplemented by the Supplemental Fourth Subscription Agreement) and the Specific Mandate in respect of the Fourth Subscription Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders on the terms of Connected Subscriptions (including the grant of the relevant Specific Mandates) and the transactions contemplated thereunder.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of Connected Subscription Agreements and the transactions contemplated thereunder are normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole, and advise the Independent Shareholders on how to vote at the SGM. Our appointment has been approved by the Independent Board Committee.

During the past two years, save for the engagement in connection with the Connected Subscription Agreements and the transaction contemplated thereunder, we had not been engaged by the Company for the provision of other services that would affect our independence. Apart from the normal professional fees for our services to the Company in connection with the engagement to act as the Independent Financial Adviser, no other arrangement exists whereby we shall receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any other relationships or interests between us and the Group, the Second Subscriber I, the Second Subscriber II, the Third Subscriber and the Fourth Subscriber, or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Connected Subscription Agreements and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the announcement of the Company dated 27 December 2018 in relation to the entering into of the MOUs (the “**MOU Announcement**”), the announcements of the Company dated 20 January 2019 and 21 February 2019 in relation to the Subscriptions, the MOUs, the Connected Subscription Agreements, the annual report of the Company for the year ended 31 December 2017 (the “**Annual Report 2017**”), and the interim report of the Company for the six months ended 30 June 2018 (the “**Interim Report 2018**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted discussions with the Management regarding, among others, the terms of the Connected Subscription Agreements and the transactions contemplated thereunder, and the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon them in formulating our opinion, are true, accurate and complete in all material respects as of the Latest Practicable Date and the Shareholders will be notified of any material changes (if any) as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of the Connected Subscription Agreements to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect and the information made available to us at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely for their consideration of the Connected Subscription Agreements and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor be used for any other purposes without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1 Financial overview of the Group

The Company is an investment holding company and operates its businesses through its subsidiaries. The Group is principally engaged in development, investment, operation and management of renewable energy power plants.

Set out in Table 1 below is certain financial information of the Group for (i) each of the two years ended 31 December 2017 as extracted from the Annual Report 2017; and (ii) each of the six months ended 30 June 2017 and 30 June 2018 as extracted from the Interim Report 2018.

Table 1: Financial information of the Group

	For the six months ended 30 June		For the year ended 31 December	
	2018	2017	2017	2016
	(Unaudited)	(Unaudited) (Restated)	(Audited)	(Audited)
	RMB'million	RMB'million	RMB'million	RMB'million
Revenue	1,016	690	1,522	998
Profit/(loss) for the year/period attributable to owners of the Company	(87)	24	153	367
	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016	
	(Unaudited)	(Audited)	(Audited)	
	RMB'million	RMB'million	RMB'million	
Non-current assets	23,096	22,006	12,645	
Current assets	6,422	6,588	4,536	
Current liabilities	(7,631)	(8,412)	(5,130)	
Net current liabilities	(1,209)	(1,824)	(594)	
Non-current liabilities	(15,542)	(13,754)	(9,443)	
Net assets	6,345	6,428	2,608	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2017

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB1,522 million, representing a substantial increase of approximately 52.51% as compared to that of approximately RMB998 million recorded for the previous year. Based on the Annual Report 2017, such increase in revenue of the Group was primarily due to (i) the expansion in the aggregate installed capacity of the Group's power plants by approximately 72.04% by way of acquisition and self-development; and (ii) the effective monitoring and control in electricity generation which enabled most power plants of the Group to have recorded an increase in their electricity generation during the reporting year.

For the year ended 31 December 2017, the Group recorded profit attributable to owners of the Company of approximately RMB153 million, representing a significant decrease of approximately 58.31% as compared to that of approximately RMB367 million for the preceding year. With reference to the Annual Report 2017, such decrease in profit attributable to owners of the Company for 2017 was mainly attributable to (i) the fair value loss on financial instruments at approximately RMB290 million; and (ii) the significant year-on-year increase in finance costs of approximately 27.76% resulted from the debt financing implemented by the Group during the reporting year.

As at 31 December 2017, the Group recorded net current liabilities and net assets of approximate RMB1,824 million and approximately RMB6,428 million, respectively.

For the six months ended 30 June 2018

For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB1,016 million, representing an increase of approximately 47.25% as compared that of approximately RMB690 million recorded for the corresponding period in the previous year. Based on the Interim Report 2018, such improvement in revenue of the Group was primarily due to (i) the expansion in the aggregate installed capacity of the Group's power plants by approximately 27% by way of acquisition and self-development; and (ii) the effective monitoring and control in operation and maintenance which have resulted in an increase in the electricity generation of most of the Group's power plants during the reporting period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2018, the Group recorded loss attributable to owners of the Company of approximately RMB87 million, against the profit attributable to owners of the Company of approximately RMB24 million as recorded for the six months ended 30 June 2017. With reference to the Interim Report 2018, such declining performance was mainly attributable to the net effects of, among others, (i) the aforementioned increase in the revenue of the Group; (ii) the decrease in bargain purchase arising from business combinations; (iii) the increase in fair value losses on financial assets at fair value through profit and loss; (iv) the nil recognition of fair value loss on financial liabilities at fair value through profit and loss for the then reporting period as compared to that of approximately RMB229 million for the preceding corresponding period; and (v) the increase in finance costs.

As at 30 June 2018, the net current liabilities and net assets of the Group amounted to approximately RMB1,209 million and approximately RMB6,345 million, respectively.

2 Reasons for and benefits of the entering into of the Connected Subscription Agreements and the transactions contemplated thereunder

In assessing the fairness and reasonableness of the entering into of the Connected Subscription Agreements and the transactions contemplated thereunder, we have primarily taken into account (i) the potential reduction in the Group's leverage and mitigation of interest burden; (ii) the alternative fund-raising exercises considered by the Company; and (iii) the potential support from the Subscribers.

2.1. Potential reduction in leverage and mitigation of interest burden

It is expected that the maximum gross proceeds from the Connected Subscriptions will be approximately HK\$801 million and, after deducting the relevant expenses, the net proceeds from the Connected Subscriptions will be approximately HK\$797 million, which is intended to be primarily applied for the repayment of the Group's indebtedness to be due by 30 April 2019.

As advised by the Management, as at the Latest Practicable Date, indebtedness of the Group to be due by 30 April 2019 amounted to approximately RMB939 million, including the principal and interest payment of bank borrowings (in the sum of approximately RMB454 million), finance leasing (in the sum of approximately RMB294 million), medium-term notes (in the sum of approximately RMB93 million), senior notes (in the sum of approximately RMB96 million) and other borrowings (in the sum of approximately RMB2 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Due to the capital-intensive nature of power plants business, the indebtedness level of the Group has been relatively high. According to the Annual Report 2017 and the Interim Report 2018, total borrowings of the Group increased significantly from approximately RMB13,851 million as at 31 December 2016 to approximately RMB20,451 million as at 31 December 2017, and subsequently further to approximately RMB20,799 million as at 30 June 2018. As shown in Table 1 above, the Group continued to record net current liabilities at a relatively high level of approximately RMB594 million, approximately RMB1,824 million and approximately RMB1,209 million as at 31 December 2016, 31 December 2017 and 30 June 2018, respectively. Gearing ratio of the Group as at 30 June 2018, as calculated based on the Group's net debts of approximately RMB17,276 million and total capital of approximately RMB23,621 million, reached approximately 73.1% as compared to that of approximately 72.2% as at 31 December 2017. Further, the Group incurred finance costs in the amount of approximately RMB1,275 million for the year ended 31 December 2017, which represented a substantial portion of approximately 83.8% of the revenue for the corresponding period. According to the Annual Report 2017, the increase in finance costs was one of the contributing factors to the year-on-year significant decline in the Group's net profit for the year ended 31 December 2017.

Accordingly, by utilising the net proceeds from the Connected Subscriptions for the partial repayment of the Group's indebtedness to be due by 30 April 2019, the risk of breach of repayment obligations under such loan agreements/arrangements will be mitigated and the existing gearing position of the Group will be improved. Further, the reduction in the financial leverage of the Group will help relieve its burden of future finance charges and, together with the intended allocation of net proceeds for general working capital of the Group, will provide the Group with enhanced internal resources and financing capability for its future business development when there are suitable opportunities, which shall ultimately improve the returns to the Shareholders.

2.2. Alternative fund-raising exercises considered

Based on our discussions with the Management, the Company has considered other fund-raising alternatives including but not limited to debt financing and equity financing, such as placing of new Shares and rights issue.

Considering the recent loss position of the Group for the six months ended 30 June 2018 and the relatively high gearing ratio of the Group as at 30 June 2018, the Management considered that additional debt financing from banks or financial institutions may be subject to stringent due diligence and negotiations, as well as financing terms that are unfavourable to the Group. In addition, it is considered that an increase in the debt level and the interest payments to be potentially arisen therefrom may put further financial burden on the Group and worsen its existing financial position.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

While the Directors had explored the feasibility of conducting rights issue so as to allow all Shareholders to maintain their respective pro-rata shareholdings in the Company and participate in the future development of the Company, taking into account the prevailing challenging stock market conditions, fund-raising exercises of such form with a large fund-raising size would be relatively more time-consuming, administratively burdensome and cost-ineffective. Also, the Connected Subscribers may not be willing to participate in the rights issue given that majority of the proceeds from rights issue will be used for repayment of borrowings without introducing a new strategic partner such as Qingdao Investment which may be beneficial to the Group's business development, further analysis of which is set out in the following sub-section of this letter. With respect to placing of new Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In light of the above, we concur with the views of the Directors that the Connected Subscriptions, which would provide a higher certainty of successful funding at relatively lower cost, would be the preferred means for the Group to raise fund over other alternatives.

2.3. Potential support from the Subscribers

As previously mentioned, through the subsidiaries, the Group is principally engaged in development, investment, operation and management of renewable energy power plants. In conducting our analysis under this sub-section, we have mainly considered the general prospect of renewable energy business in the PRC, the development of the renewable energy business of the Group as well as the background of the Subscribers.

2.3.1. The general prospect of renewable energy business in the PRC

Renewable energy business in the PRC has been developing rapidly in recent years. According to the 67th edition of "BP Statistics Review of World Energy" published in June 2018 by BP p.l.c. (<https://www.bp.com/>), a well-known British multinational oil and gas company with an establishment of over 100 years, annual global consumption of other renewable energy had been growing rapidly throughout the ten years ended 2016 with a growth rate per annum of approximately 16.2%, and achieved an annual growth rate of approximately 17.0% in 2017. China, with such corresponding figures of approximately 41.9% and approximately 31.1% respectively, demonstrated a growth in renewables consumption that is well above the world's average. On the other hand, with reference to 《關於減輕可再生能源領域企業負擔有關事項的通知》the "Notice on Matters Related to Reducing the Burden on Enterprises in the Field of Renewable Energy#" as published by the National Energy Administration of the PRC in April 2018, the PRC government strives to, among others, reduce the investment burden on the entities within the renewable energy market and promote the healthy development of the industry by implementing various measures including but not limited to the optimisation of investment environment, standardisation of relevant technical requirements and applications, and reduction in logistics costs for renewable energy projects in the PRC. In light of the solid statistics for national demand for renewable energy and the supportive policies of the PRC government, it is considered that prospect of renewable energy business in the PRC will be generally positive in the future.

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2.3.2. The development of the renewable energy business of the Group

According to the Annual Report 2017 and the Interim Report 2018, revenue of the Group exhibited a significant year-on-year increase of approximately 52.51% in the year ended 31 December 2017 and a significant period-on-period increase of approximately 47.25% in the six months ended 30 June 2018. The Group has been proactively complying with the strategic approach of the PRC's establishment of green ecological civilisation. Following the implementation of "Panda Power Plant" initiative by the Group in 2016, being the Group's innovative solution for clean energy, "Panda Power Plants" were included in the project list for the action plan on the advancement of the "Belt and Road" initiative by the PRC government and the United Nations Development Programme in May 2017, according to which the Group shall build "Panda Power Plants" in the countries along the "Belt and Road" routes in order to provide such countries with energy solutions in various aspects including hydropower, wind power and solar power. Also, "Panda Power Plants" have also been included into the scheme of "Youth Engagement and Innovation to Promote Sustainable Development" of the United Nations with an aim to promote such plants across the globe. As at 30 June 2018, the Group and its associates and/or joint venture had 68 power plants with an aggregate installed capacity of approximately 2,109.6 megawatts, demonstrating a rapid growth as compared to that of approximately 1,461.1 megawatts as at 30 June 2017. Going forward, leveraging on the experience and advanced technology in power plants operations, the Group intends to, among others, expand financing channels to optimise its financial structure, continue exploring good opportunities for growth outside the PRC, and diversify its renewable energy portfolio in the long run.

2.3.3. Background of the Subscribers

The Subscribers generally have a sound financial position and/or extensive business network covering different fields and geographical locations and/or relevant experience in the field of renewable energy and/or experience in offering comprehensive financial services including lending services.

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With reference to the Letter from the Board and discussions with the Management, the support from the Connected Subscribers indirectly facilitated Qingdao Investment's investment in the Group. Based on our research conducted from the public domain, established in 2008, Qingdao Investment is a state-owned investment company directly under the Qingdao Municipal Government in the PRC with credit ratings of domestic AAA and international BBB+. With total assets of approximately RMB180 billion, Qingdao Investment has principal developments in various areas including but not limited to renewable energy. It is noted that Qingdao Investment was selected as one of the top 500 national service industry enterprises in the PRC in 2017 jointly by The China Enterprise Confederation (formerly known as "The China Enterprise Management Association") and The China Entrepreneurs Association (formerly known as "The Chinese Factory Manager (Manager) Work Research Association"), being a social organisation established in March 1979 with the approval of the PRC State Council and a social organisation established in 1984, respectively, the selection of which was made with reference to the then enterprise revenue. Further, it is noted from the official website of Qingdao Daily (<http://www.dailyqd.com/>) that Qingdao Investment was ranked as one of the top 50 local taxpayers in Qingdao, the PRC jointly by The Qingdao Municipal Finance Bureau, The Qingdao Municipal State Taxation Bureau and The Qingdao Local Taxation Bureau in 2017, demonstrating the profitability of Qingdao Investment.

With respect to the background of the Connected Subscribers, both the Second Subscriber I and the Second Subscriber II are investment funds established in the PRC and the associates of CMNEG, which, together with its holding company, are a substantial shareholder of the Company as at the Latest Practicable Date. Based on the official website of CMNEG (<http://www.cmnechina.com/>), headquartered in Hong Kong, CMNEG is principally engaged in the investment and operation of new energy projects with such projects being located throughout the PRC including, among others, Inner Mongolia, Shanxi, Hubei, Guangdong, Zhejiang, as well as other six regions in the United Kingdom. On the other hand, we learnt that the holding company of the Third Subscriber, an indirect substantial shareholder of the Company as at the Latest Practicable Date, is China Huarong Asset Management Co., Ltd. ("**China Huarong**"). According to its latest annual report for the year ended 31 December 2017, China Huarong is a company listed on the Stock Exchange (stock code: 2799). Founded in 1999, China Huarong is one of the four asset management companies approved for establishment by the State Council of the PRC which, together with its subsidiaries, have 31 branches with geographic coverage across 30 provinces, autonomous regions and municipalities in the PRC and are principally engaged in the provision of multi-licensed, multifunctional and comprehensive financial services in areas such as lending to corporates and individuals, asset management, banking and financial leasing. In January 2019, China Huarong was awarded the Top 300 Traders in the Inter-Bank Local Currency Market 2018 by the National Inter-bank Funding Centre, an institution directly under the head office of the People's Bank of China, demonstrating its financial strength and recognition from regulators and members within the financial industry. Lastly, the Fourth Subscriber is principally engaged in investment holding and has previous investment experience in renewable power projects.

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Accordingly, in light of (i) the consistently increasing national consumption of renewable energy; (ii) the national intention and supportive policies to promote renewable energy development; and (iii) the proactive development of the Group's renewable energy business as supported by the recent segmental revenue growth and the connection of its "Panda Power Plant" initiative with the "Belt and Road" initiative of the PRC government, we are of the view that prospect of the renewable energy business of the Group will be generally positive in the future. The Connection Subscriptions demonstrate the confidence of the Connected Subscribers in the prospect of the Group as well as their commitment to continue participating in the future development of the Group. Through the proposed subscription, it is expected that based on the experience and reputation within the Chinese financial market of its holding company, the Third Subscriber shall provide the Group with a platform which offers comprehensive financial services including but not limited to project financing, which shall be beneficial to the Group shall the need of funding for the development of its renewable energy business arise in the future. Further, by leveraging on the expertise, business network and established resources of Qingdao Investment and the Connected Subscribers including the extensive footprint of some of their businesses, it is expected that the implementation of the Connected Subscriptions shall help foster the development of the existing renewable energy business of the Group, facilitate the expansion of its existing business to other strategic locations outside the PRC as well as diversify its existing renewable energy portfolio, which may ultimately help improve the returns to the Shareholders.

In light of the foregoing, we are of the view that the entering into of the Connected Subscription Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3 Principal terms of the Connected Subscription Agreements and the transactions contemplated thereunder

Pursuant to the Second Subscription I Agreement, the Second Subscriber I has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue up to a maximum of 1,216,793,309 new Shares at the subscription price of HK\$0.3 per Second Subscription I Share.

Pursuant to the Second Subscription II Agreement, the Second Subscriber II has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 135,199,257 new Shares at the subscription price of HK\$0.3 per Second Subscription II Share.

Pursuant to the Third Subscription Agreement, the Third Subscriber has conditionally agreed to subscriber for and the Company has conditionally agreed to allot and issue 938,054,087 new Shares at the subscription price of HK\$0.3 per Third Subscription Share.

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Pursuant to the Fourth Subscription Agreement (as amended and supplemented by the Supplemental Fourth Subscription Agreement, the Fourth Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 382,396,814 new Shares at the subscription price of HK\$0.3 per Fourth Subscription Share.

Pursuant to the terms of the Connected Subscription Agreements, the Company has conditionally agreed to issue and allot up to 2,672,443,467 new Shares, which represent (i) approximately 28.04% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 21.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Connected Subscription Shares only, assuming there will be no other changes in the issued share capital of the Company, as at the Latest Practicable Date.

The Second Subscription I Agreement, the Second Subscription II Agreement, the Third Subscription Agreement and the Fourth Subscription Agreement (as amended and supplemented by the Supplemental Fourth Subscription Agreement) are not inter-conditional upon each other.

3.1 The subscription price under the Connected Subscription Agreements

Pursuant to the Connected Subscription Agreements, (i) the maximum aggregate Second Subscription I Price is HK\$365,037,992.70, representing HK\$0.3 per Second Subscription I Share; (ii) the aggregate Second Subscription II Price is HK\$40,559,777.10, representing HK\$0.3 per Second Subscription II Share; (iii) the aggregate Third Subscription Price is HK\$281,416,226.10, representing HK\$0.3 per Third Subscription Share; and (iv) the aggregate Fourth Subscription Price is HK\$114,719,044.20, representing HK\$0.3 per Fourth Subscription Share.

For the avoidance of doubt and for the purpose of our analysis as set out herein, “**Connected Subscription Share**” shall be construed to any one Second Subscription I Share, Second Subscription II Share, Third Subscription Share or Fourth Subscription Share, and accordingly, “**Connected Subscription Price**” shall be construed to any of the Second Subscription I Price, the Second Subscription II Price, the Third Subscription Price or the Fourth Subscription Price, i.e. HK\$0.3 per Connected Subscription Share.

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The Connected Subscription Price is HK\$0.3 per Connected Subscription Share, which represents:

- (i) a discount of approximately 23.08% to the closing price of HK\$0.39 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**Last Closing Price**”);
- (ii) a discount of approximately 22.28% to the average of the closing prices of HK\$0.386 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day (the “**Average Last Closing Price**”);
- (iii) a discount of approximately 60.94% to the unaudited net asset value per Share of RMB0.665 (equivalent to HK\$0.768) as at 30 June 2018; and
- (iv) a discount of approximately 21.05% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

According to the Letter from the Board, the Connected Subscription Price under each of the Connected Subscription Agreements was arrived after arm’s length negotiations between the Company and each Connected Subscriber with reference to (i) the financial position of the Group, (ii) the volume of the respective Subscription Shares to be subscribed for under the respective Subscription Agreements; and (iii) the liquidity and recent trading performance of the Share taking into account that (a) the average of the close price of HK\$0.342 per Shares as quoted on the Stock Exchange for the three months immediately before the date of Subscription Agreements; and (b) the share price of the Company plunged from HK\$1.02 as at 2 January 2018 to HK\$0.46 as at 31 December 2018, representing a drop of approximately 54.90%.

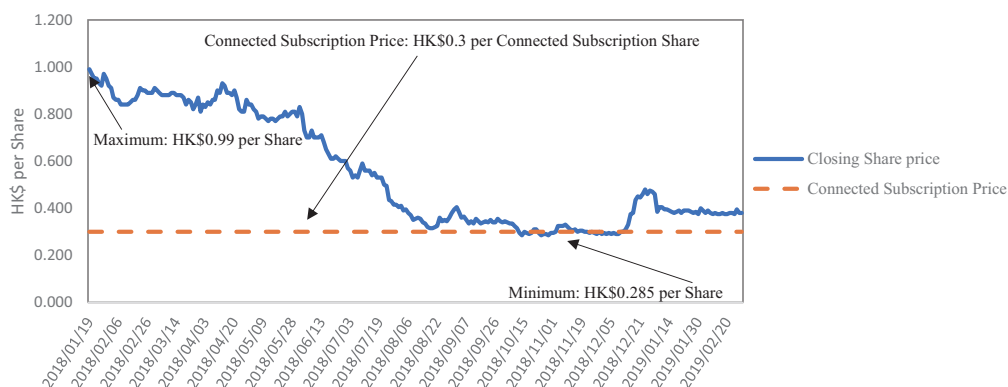
In assessing the fairness and reasonableness of the Connected Subscription Price, we have primarily made references to, among others, (i) the historical performance of the Share price; (ii) the historical trading liquidity of the Shares; and (iii) a comparable analysis against other comparable transactions in the market, details of which are set out below respectively.

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3.1.1 Historical performance of the Share price

Chart 1 below sets out the comparison among (i) the daily closing prices of the Shares on the Stock Exchange for the period from 19 January 2018 (being the first trading day of the 12-month period immediately prior to the Last Trading Day) up to and including the Latest Practicable Date (the “**Review Period**”); and (ii) the Connected Subscription Price of HK\$0.3 per Connected Subscription Share during the Review Period.

Chart 1: Daily closing prices during the Review Period



Source: The official website of the Stock Exchange (<https://www.hkex.com.hk/>)

As illustrated in Chart 1, the closing prices of the Shares generally exhibited a declining trend during the Review Period. Following a continuous plunge since the beginning of the Review Period, closing prices of the Shares recovered slightly during the period around the publication of the MOU Announcement on 27 December 2018 potentially attributable to the positive market reactions to the underlying possible subscriptions, upon which it decreased again and had been fluctuating towards the end of the Review Period. Throughout the Review Period, closing prices of the Shares ranged from the lowest closing price of approximately HK\$0.285 per Share to the highest closing price of approximately HK\$0.99 per Share, with an average of approximately HK\$0.551 per Share. The Connected Subscription Price of HK\$0.3 therefore falls within the aforesaid range of the closing Share prices and represents (i) a premium of approximately 5.3% to the lowest closing price per Share; (ii) a discount of approximately 45.6% to the average closing price per Share; and (iii) a discount of approximately 69.7% to the highest closing price per Share during the Review Period.

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3.1.2 Historical trading liquidity of the Shares

Set out in Table 2 below are the average daily statistics of the trading volume of the Shares during the Review Period.

Table 2: Average daily trading volumes during the Review Period

	Average daily trading volumes (Approximate number of Shares) (Note 1)	Average daily trading volumes over the issued Share capital of the Company as at the Latest Practicable Date (Approximate percentage) (Note 2)
2018		
January (from 19 January 2018)	12,799,300	0.13
February	9,796,783	0.10
March	5,583,686	0.06
April	17,632,116	0.19
May	4,123,571	0.04
June	14,077,180	0.15
July	8,915,971	0.09
August	7,811,996	0.08
September	5,243,195	0.06
October	2,979,400	0.03
November	4,833,155	0.05
December	21,760,444	0.23
2019		
January	10,973,305	0.12
February	7,448,471	0.08

Source: The official website of the Stock Exchange (<https://www.hkex.com.hk/>)

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Notes:

1. Computed by dividing the monthly trading volumes of the Shares by the total number of trading days of the respective corresponding months.
2. Computed by dividing the average daily trading volumes of the Shares by the total issued share capital of the Company as at the Latest Practicable Date.

As illustrated in Table 2, trading liquidity of the Shares was generally thin during the Review Period, with the average daily trading volumes of the Shares having accounted for a range from approximately 0.03% to approximately 0.23% of the issued Share capital of the Company as at the Latest Practicable Date.

3.1.3 The comparable analysis against comparable transactions

In assessing the fairness and reasonableness of the determination of the Connected Subscription Price, we have conducted a comparable analysis of proposed placing, issue or subscription of new ordinary shares to/by independent third parties and/or connected persons under specific mandate as initially announced by the listed companies in Hong Kong during the Review Period, excluding those (i) as announced by companies under prolonged suspension or debt restructuring; (ii) as announced by H-share companies whose share capital structure is different from that of the Company; (iii) involved share issues involving other aspects that may affect pricing considerations, such as loan capitalisation, issues of consideration shares, convertible securities or shares under share-award schemes (or schemes similar in nature); and (iv) share issues involving whitewash waiver applications and/or a change in control of the ultimate beneficial owner(s) of the listed companies.

On a best-effort basis, we have identified an exhaustive list of 31 comparable issues (the “**Comparable Issues**”) having met the aforesaid selection criteria. It is worth noting that the underlying issuers of the Comparable Issues may or may not be identical to the Company in terms of principal activities, market capitalisations, profitability, operations and financial position, and that the circumstances leading to the Comparable Issues to issue new shares may differ from that of the Company under the Connected Subscriptions. Nevertheless, our analysis is meant to be used as a general reference to transactions in Hong Kong which are comparable to the Connected Subscriptions, and we consider it to be one of the appropriate bases for assessing the fairness and reasonableness of the Connected Subscription Price. Details of the Comparable Issues are summarised in Table 3 below.

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Table 3: A summary of the Comparable Issues

Company Name	Stock code	Date of the initial announcement	Subscription price per share (Approximate HK\$)	Premium/ (discount) of subscription price over/to the average closing price per share for the last five consecutive trading days up to and including the date of the underlying subscription agreement/last trading day (Approximate %)	Premium/ (discount) of subscription price over/to the average closing price per share for the last five consecutive trading days up to and including the date of the underlying subscription agreement/last trading day (Approximate %)	Connected person(s) involved (Yes/No)
National Arts Entertainment and Cultural Group Limited	8228	13/2/2019	0.26	0.00	0.78	No
Beijing Enterprises Water Group Limited	371	18/1/2019	4.29	0.23	1.27	Yes
Tus International Limited	872	11/1/2019	0.6084	(14.31)	(10.00)	Yes
National Investments Fund Limited	1227	4/1/2019	0.018	(14.29)	(18.18)	No
Shenwen Hongyuan (H.K.) Limited	218	14/12/2018	2.068	29.30	30.40	Yes
Alibaba Pictures Group Limited	1060	9/12/2018	1.25	1.63	1.13	Yes
Zhuguang Holdings Group Company Limited	1176	26/11/2018	1.30	(6.50)	(7.80)	Yes
Minshang Creative Technology Holdings Limited	1632	6/11/2018	1.10	(38.89)	(32.52)	No
Elife Holdings Limited	223	26/10/2018	0.105	6.06	9.83	Yes
China Zenith Chemical Group Limited	362	5/10/2018	0.315	(1.59)	(2.54)	Yes (Note 1)
FDG Electric Vehicles Limited	729	9/9/2018	0.09	(5.26)	(5.26)	No
Ban Loong Holdings Limited	30	20/8/2018	0.18	0.00	(1.21)	Yes
China Putian Food Holdings Limited	1699	30/7/2018	0.14	(27.10)	(24.70)	Yes/No (Note 2)
Shougang Concord International Enterprises Company Limited	697	24/7/2018	0.25	28.87	30.21	Yes
FDG Electric Vehicles Limited	729	11/7/2018	0.06	(52.38)	(50.17)	No
Sinofortune Financial Holdings Limited	8123	6/7/2018	0.06	5.26	3.09	Yes
CMBC Capital Holdings Limited	1141	3/7/2018	0.363	(18.40)	(19.50)	Yes
China Grand Pharmaceutical and Healthcare Holdings Limited	512	1/6/2018	5.20	(15.90)	(20.20)	Yes

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Company Name	Stock code	Date of the initial announcement	Subscription price per subscription share (Approximate HK\$)	Premium/ (discount) of subscription price over/to the average closing price per share for the last five consecutive trading days up to and including the date of the underlying subscription agreement/last trading day (Approximate %)	Premium/ (discount) of subscription price over/to the average closing price per share for the last five consecutive trading days up to and including the date of the underlying subscription agreement/last trading day (Approximate %)	Connected person(s) involved (Yes/No)
China Baofeng (International) Limited	3966	24/5/2018	2.60	(13.33)	(13.91)	Yes
China Grand Pharmaceutical and Healthcare Holdings Limited	512	24/5/2018	5.00	(21.10)	(20.20)	Yes
C.banner International Holdings Limited	1028	16/5/2018	2.40	(0.83)	(0.41)	No
Daqing Dairy Holdings Limited	1007	2/5/2018	0.1025	(96.95) (Note 3)	(97.25) (Note 3)	No
Asia Resources Holdings Limited	899	17/4/2018	0.25	201.2 (Note 3)	175.9 (Note 3)	Yes
Australia Dairy Corporation Limited	1717	6/4/2018	5.18	(20.67)	(17.91)	No
Eagle Ride Investment Holdings Limited	901	23/3/2018	0.30	27.66	31.58	No
China Traditional Chinese Medicine Holdings Company Limited	570	19/3/2018	4.43	(19.89)	(17.20)	No
U Banquet Group Holding Limited	1483	15/3/2018	1.80	(11.33)	(15.09)	No
China Ocean Fishing Holdings Limited	8047	6/3/2018	0.45	(18.18)	(21.05)	No
Frontier Services Group Limited	500	2/3/2018	1.30	(31.58)	(28.42)	Yes/No (Note 2)
Chinese Strategic Holdings Limited	8089	29/1/2018	4.00	0.50	8.99	No
Beijing Enterprises Water Group Limited	371	24/1/2018	5.90	(1.50)	(2.20)	Yes
Maximum Premium				29.30	31.58	
Maximum Discount				(52.38)	(50.17)	
Average Discount				(8.05)	(7.28)	
The Company	686		0.30	(23.08)	(22.28)	Yes

Source: The official website of the Stock Exchange (<https://www.hkex.com.hk/>)

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Notes:

1. The primary name of the company has been changed from “China Zenith Chemical Group Limited” to “Xinyang Maojian Group Limited”, with effect from 9:00 a.m. on 8 November 2018.
2. The entering into of more than one agreement with the same underlying subscription price were respectively announced by the issuers underlying these Comparable Issues on the same date, with such agreements having comprised both the agreement(s) entered into with connected person(s) and agreement(s) entered into without any connected person(s) as defined under the Listing Rules.
3. The corresponding figures of these Comparable Issues (the “**Outlier Comparable Issues**”) were excluded from the analysis because they, as compared with those of the other Comparable Issues, appear to be the outliers which may inappropriately skew the overall results.

As illustrated in Table 3 above, the underlying subscription prices of 19 out of 29 Comparable Issues (excluding the Outlier Comparable Issues) were set at a discount to the respective closing share prices on the respective dates of subscription agreements or last trading days. Further, the subscription prices of the Comparable Issues represent a range from a maximum discount of approximately 52.38% to a premium of approximately 29.30% to/over the respective closing share prices on the respective dates of subscription agreements or last trading days (the “**Market Range 1**”), with the average of a discount of approximately 8.05%. Therefore, the discount of the Connected Subscription Price to the Last Closing Price of 23.08% falls within the Market Range 1.

On the other hand, the underlying subscription prices of 20 out of 29 Comparable Issues (excluding the Outlier Comparable Issues) were set at a discount to the respective average closing share prices for the last five consecutive trading days up to and including the respective dates of subscription agreements or last trading days. Further, the subscription prices of the Comparable Issues represent a range from a maximum discount of approximately 50.17% to a premium of approximately 31.58% to/over the respective average closing share prices for the last five consecutive trading days up to and including the respective dates of subscription agreements or last trading days (the “**Market Range 2**”), with the average of a discount of approximately 7.28%. Therefore, the discount of the Connected Subscription Price to the Average Last Closing Price of 22.28% falls within the Market Range 2.

Taking into account the above, we consider that it is a common market practice for listed issuers in Hong Kong to conduct comparable issues of new shares with a subscription price that is lower than the prevailing share price.

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3.1.4 Conclusion on the determination of the Connected Subscription Price

Based on the analyses above, considering (i) the generally thin liquidity of the Shares during the Review Period which indicates the potential difficulties in initiating the Connected Subscribers to participate in the Connected Subscriptions should the Connected Subscription Price have been set at a premium to the Last Closing Price; and (ii) that it is a common practice for the listed issuers in Hong Kong to set the subscription price at a discount to the prevailing share price, we are of the view that it is justifiable to set the Connected Subscription Price at a discount to each of the Last Closing Price and the Average Last Closing Price.

Despite the Connected Subscription Price represents a discount of 23.08% to the Last Closing Price which is higher than the corresponding average of the Comparable Issues, and that the Shares were mostly trading at above the Connected Subscription Price during the Review Period, considering (i) that it is justifiable to set the Connected Subscription Price at a discount to each of the Last Closing Price and the Average Last Closing Price as discussed above; (ii) the potential benefits of the Connected Subscriptions as previously discussed including but not limited to the potential reduction in leverage and mitigation of interest burden of the Group, as well as the potential support to be obtained from the Subscribers; (iii) the generally continuous downward trend in the closing prices of the Shares during the Review Period which indicates the potential uncertainty on the recovery of the Share price in the near future; (iv) the relatively illiquid position of the Group as reflected by the continuous recording of net current liabilities in recent years, as well as the intended allocation of a substantial portion of net proceeds from the Connected Subscriptions for repayment of indebtedness rather than other uses such as direct investments on business development, which collectively indicate the potential need of a relatively low subscription price in order to attract the Connected Subscribers to participate in the Connected Subscriptions by compensating the risks associated with their investments in the Company; (v) that the discount of the Connected Subscription Price to the Last Closing Price falls within the Market Range 1; and (vi) that the discount of the Connected Subscription Price to the Average Last Closing Price falls within the Market Range 2, we are of the view that the determination of the Connected Subscription Price of HK\$0.3 per Connected Subscription Share is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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In addition, we have reviewed other principal terms of the Connected Subscription Agreements and the transactions contemplated thereunder including but not limited to the conditions precedent thereto and the terms of payments, further details of which are set out in the sub-sections headed “THE SUBSCRIPTIONS” in the Letter from the Board, and are not aware of any terms being unusual. In view of the above, we are of the view that the terms of the Connected Subscription Agreements and the transactions contemplated thereunder including the Connected Subscription Price are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

4 Potential dilution in public shareholding interest

Reference is made to the shareholding table set out in the section headed “Changes in shareholding structures” of the Letter from the Board.

The aggregate shareholding of other public Shareholders shall decrease from approximately 38.33% as at the Latest Practicable Date to:

- (i) approximately 29.03% after completion of the First Subscription only, representing a dilution of approximately 9.30% in the shareholding interests;
- (ii) approximately 34.54% immediately after completion of the Second Subscription I and the Second Subscription II only, representing a dilution of approximately 3.79% in shareholding interests;
- (iii) approximately 34.89% immediately after completion of the Third Subscription only, representing a dilution of approximately 3.44% in shareholding interests;
- (iv) approximately 36.85% immediately after completion of the Fourth Subscription only, representing a dilution of approximately 1.48% in shareholding interests; or
- (v) approximately 23.95% immediately after completion of all the Subscriptions, representing a dilution of approximately 14.38% in shareholding interests.

In light of the reasons for and benefits of entering into of the Connected Subscription Agreements and transactions contemplated thereunder as previously discussed in this letter, we are of the view that the potential dilution in the shareholding interests of other public Shareholders under each of the scenarios above is justifiable.

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5 Financial effects of the Connected Subscription Agreements and the transactions contemplated thereunder

5.1 *Net asset value*

According to the Interim Report 2018, net assets of the Group amounted to approximately RMB6,345 million as at 30 June 2018. Immediately upon completion of the Connected Subscriptions, net assets of the Company shall be enhanced by the estimated net proceeds of up to approximately RMB797 million.

5.2 *Liquidity*

According to the Interim Report 2018, cash and cash equivalents as well as the net current liabilities of the Group as at 30 June 2018 were approximately RMB889 million and approximately RMB1,209 million, respectively. Immediately upon completion of the Connected Subscriptions, it is expected that the cash and cash equivalents and accordingly the current assets of the Group will be increased by the estimated net proceeds from the Connected Subscriptions of approximately RMB797 million. As such, the Connected Subscriptions are expected to have positive impacts on the liquidity of the Group.

5.3 *Gearing ratio*

According to the Interim Report 2018, based on the net debt of the Group in the amount of approximately RMB17,276 million and the total capital of the Group of approximately RMB23,621 million, the gearing ratio of the Group as at 30 June 2018 was approximately 73.1%. Given that the net proceeds are intended to be primarily used for partially repaying the indebtedness of the Group which will become due by 30 April 2019, it is expected that net debt of the Group will decrease and the resulted gearing ratio will improve.

Shareholders should note that the analyses above are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Connected Subscription Agreements and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATIONS

Having considered the principal factors and reasons set out in this letter, we are of the view that, notwithstanding that the entering into of the Connected Subscription Agreements were not in the ordinary and usual course of business of the Company, the terms of the Connected Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve each of the Connected Subscription Agreements and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Lego Corporate Finance Limited

Billy Tang

Managing Director

Note: Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 17 years of experience in the corporate finance advisory profession.

APPENDIX I BIOGRAPHICAL DETAILS OF RETIRING DIRECTORS

The following is the particulars of Mr. Li, the executive Director and Mr. Chen, the independent non-executive Director proposed to be re-elected at the SGM:

Mr. Li Guangqiang

Mr. Li Guangqiang, aged 39 was appointed as an executive Director on 11 October 2018. Mr. Li is concurrently the general manager of North China regional branch of the Group, and is primarily responsible for investment, mergers and acquisitions and legal affairs of the Group. Mr. Li is also a director of several of our subsidiaries. Mr. Li is experienced in the development, infrastructure and cost management of large scale energy projects. Mr. Li joined the Group in December 2015 as a deputy general manager of North China regional branch of the Group. Prior to that, Mr. Li had taken up various management roles in certain subsidiaries of China Datang Corporation Limited# (中國大唐集團有限公司) (“**Datang Group**”), which are engaged in generation of thermal power and hydropower and coal mining projects etc. Mr. Li also gained extensive working experience in relation to operation of a public listed company and capital management of a large conglomerate during his term of service as the deputy director of the capital operation department in Datang International Power Generation Co., Ltd (“**Datang Power**”), whose shares are listed on the Stock Exchange (stock code: 991), the Shanghai Stock Exchange (stock code: 601991), and the London Stock Exchange (stock code: DAT), and traded on the Over-the-Counter Bulletin Board (stock code: DIPGY). Datang Power, whose controlling shareholder is the Datang Group, is one of the five largest state-controlled power generation enterprises in China. Mr. Li received a Master’s degree in Business Administration from Southwestern University of Finance and Economics.

Mr. Li has entered into a service contract with the Company for a term of three years commencing from 11 October 2018, which can be terminated by three-month notice in writing served by either party on the other. Mr. Li is entitled to a director’s fee of HK\$200,000 per annum for his service as an executive Director, as recommended by the remuneration committee and determined by the Board with reference to his role and responsibilities with the Company and the prevailing market conditions. Mr. Li may be entitled to discretionary bonus to be determined by the Board and participate in the share option scheme of the Company.

As at the Latest Practicable Date, Mr. Li held 42,000 Shares and certain share options to subscribe for 5,098,000 Shares. Save as disclosed above, Mr. Li did not have any other interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Li confirmed that (i) he has not held any other directorship in any other public companies listed in Hong Kong or overseas in the last three years; (ii) he has not previously held and does not hold any other position with the Company or any member of the Group; (iii) does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company (as respectively defined in the Listing Rules); (iv) there is no other information which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules; and (v) there are no other matters that need to be brought to the attention of the Shareholders and the Stock Exchange in connection with his re-election.

APPENDIX I BIOGRAPHICAL DETAILS OF RETIRING DIRECTORS

Mr. Chen Hongsheng

Mr. Chen Hongsheng, aged 68, was appointed as an independent non-executive Director on 21 January 2019. Mr. Chen was the committee member of the 12th National Committee of the Chinese People's Political Consultative Conference. From 1993 to 2014, Mr. Chen held some important positions in China Poly Group Corporation Limited# (中國保利集團有限公司) (“**Poly Group**”) and its subsidiaries. Among others, Mr. Chen served as the chairman of Poly Group from January 2010 to May 2013, as an executive director of Poly Property Group Co., Limited (formerly known as Poly (Hong Kong) Investments Limited) (“**Poly Property**”), whose shares are listed on the Stock Exchange (stock code: 119), from January 2004 to June 2014, and as the chairman and an executive director of Poly Culture Group Corporation Limited (“**Poly Culture**”), whose shares are listed on the Stock Exchange (stock code: 3636), from December 2010 to November 2014. Poly Group is the holding company of Poly Property and Poly Culture. Mr. Chen obtained his bachelor's equivalent degree in Radio Remote Control & Telemetry from Beihang University (formerly Beijing Institute of Aeronautics) in December 1975. Mr. Chen was granted with the qualification of senior economist from State Bureau of Metallurgical Industry, the PRC, in August 2000.

Mr. Chen has entered into a service contract with the Company for a term of one year, which can be terminated by one-month notice in writing served by either party on the other. Mr. Chen is entitled to a director's fee of HK\$200,000 per annum for his service as an independent non-executive Director, as recommended by the remuneration committee of the Board and determined by the Board with reference to his role and responsibilities with the Company and the prevailing market conditions. Mr. Chen may be entitled to discretionary bonus to be determined by the Board and participate in the share option scheme of the Company.

As at the Latest Practicable Date, Mr. Chen did not have any interests in the ordinary shares of the Company within the meaning of Part XV of the SFO. Mr. Chen has not previously held and does not hold any other position with any member of the Group. Save as disclosed above, Mr. Chen confirmed that (i) he has not held any other directorship in any other public companies listed in Hong Kong or overseas in the last three years; (ii) did not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company (as respectively defined in the Listing Rules); (iii) there is no other information which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules; and (iv) there are no other matters that needs to be brought to the attention of the shareholders of the Company and the Stock Exchange in connection with his re-election.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The number of issued Shares (i) as at the Latest Practicable Date: and (ii) upon completion of the Subscriptions are set out below:

As at the Latest Practicable Date

Authorised: HK\$

<u>20,000,000,000</u>	Shares at nominal value of HK\$0.1 each	<u>2,000,000,000</u>
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Issued and fully-paid or credited as fully-paid:

<u>9,529,811,467</u>	Shares at nominal value of HK\$0.1 each	<u>952,981,146.7</u>
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Immediately after the allotment and issue of the Subscription Shares

Authorised:

<u>20,000,000,000</u>	Shares at nominal value of HK\$0.1 each	<u>2,000,000,000</u>
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Issued and fully-paid or credited as fully-paid:

9,529,811,467	Shares at nominal value of HK\$0.1 each	952,981,146.7
3,048,750,000	First Subscription Shares upon completion of the First Subscription Agreement	304,875,000.0
1,216,793,309 <i>(note 1)</i>	Second Subscription I Shares upon completion of the Second Subscription I Agreement	121,679,330.9 <i>(note 1)</i>
135,199,257	Second Subscription II Shares upon completion of the Second Subscription II Agreement	13,519,925.7
938,054,087	Third Subscription Shares upon completion of the Third Subscription Agreement	93,805,408.7
382,396,814	Fourth Subscription Shares upon completion of the Fourth Subscription Agreement	38,239,681.4
<u>Total: 15,251,004,934</u>	Shares at nominal value of HK\$0.1 each	<u>1,525,100,493.4</u>

Notes

1. According to the Second Subscription I Agreement, the Second Subscriber I agreed to subscription for no less than 909,201,407 new Shares and no more than 1,216,793,309 new Shares. 909,201,407 new Shares represent the minimum number of Second Subscription I Shares to be allotted and issued.
2. Each of the Subscription Agreements is not conditional upon the other.

All the Shares in issue and the Subscription Shares (when allotted and fully-paid) to be issued rank *pari passu* with each other in all respects including as regards to dividends and voting rights. The Subscription Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Subscription Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, the Company has 505,143,319 share options conferring the right for the holders to subscribe for 505,143,319 Shares and 871,075,858 warrants conferring the right for the holders to subscribe for 871,075,858 Shares. Save as disclosed Company had no outstanding Shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares

Name of Director	Personal interests (held as beneficial owner)	Number of Shares Corporate interests (Interests of controlled corporation)	Other interests	Percentage of total number of issued Shares
Mr. Li, Alan	10,905,000	510,859,422 <i>(note 1)</i>	–	5.48%
Mr. Li Hong	4,972,000	–	–	0.05%
Mr. Li Guangqiang	42,000	–	–	0.00%

(ii) Long positions in warrants

Name of Director	Personal interests (held as beneficial owner)	Number of Shares Corporate interests (Interests of controlled corporation)	Other interests	Percentage of total number of issued Shares
Mr. Li, Alan	–	168,553,178 <i>(note 2)</i>	–	1.77%

Notes:

1. Among the 510,859,422 Shares, 492,685,935 Shares were held by Magicgrand Group Limited (“**Magicgrand**”) while the other 18,173,487 Shares were held by Pairing Venture Limited, both of which are companies beneficially wholly-owned by Mr. Li, Alan.
2. These unlisted warrants were held by Magicgrand. The warrants entitle the holder to subscribe in cash for 168,553,178 shares at the initial subscription price of HK\$0.646 during the 3-year subscription period commencing from 20 March 2017, which shall be physically settled upon exercise.

(iii) Long positions in share options

Grantees	Date of grant	Exercise price (HK\$/share)	Number of outstanding share options	Capacity	Exercise period ^(note)
Mr. Li Alan	8 January 2015	1.000	6,000,000	Beneficial owner	8 January 2016 to 7 January 2020
	28 January 2016	0.564	2,100,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	80,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Mr. Lu Zhenwei	8 January 2015	1.000	2,000,000	Beneficial owner	8 January 2016 to 7 January 2020
	28 January 2016	0.564	3,000,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	5,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Mr. Yu Qiuming	12 September 2017	1.132	70,000,000	Beneficial owner	12 September 2018 to 11 September 2022
Mr. Li Hong	8 January 2015	1.000	2,000,000	Beneficial owner	8 January 2016 to 7 January 2020
	28 January 2016	0.564	2,100,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	80,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Mr. Tang Wenyong	28 January 2016	0.564	1,000,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	3,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Mr. Kwan Kai Cheong	8 January 2015	1.000	2,000,000	Beneficial owner	8 January 2016 to 7 January 2020
	28 January 2016	0.564	1,000,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	3,000,000	Beneficial owner	16 June 2018 to 15 June 2022

Grantees	Date of grant	Exercise price (HK\$/share)	Number of outstanding share options	Capacity	Exercise period ^(note)
Mr. Yen Yuen Ho, Tony	8 January 2015	1.000	2,000,000	Beneficial owner	8 January 2016 to 7 January 2020
	28 January 2016	0.564	1,000,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	3,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Mr. Shi Dinghuan	8 January 2015	1.000	2,000,000	Beneficial owner	8 January 2016 to 7 January 2020
	28 January 2016	0.564	1,000,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	3,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Li Guangqiang	28 January 2016	0.564	98,000	Beneficial owner	28 January 2017 to 27 January 2021
	16 June 2017	1.076	5,000,000	Beneficial owner	16 June 2018 to 15 June 2022

Note: All share options granted by the Company shall vest in three tranches within a period of 3 years in proportions of 30%, 30% and 40% of the share options granted, i.e. 30% of the share options granted shall vest on the 1st anniversary of the grant, another 30% shall vest on the 2nd anniversary of the grant, and the remaining 40% shall vest on the 3rd anniversary of the grant. In this table, “exercise period” begins with the 1st anniversary of the grant date

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of shares held	Number of underlying shares held	Percentage of the issued shares ^(note 1)
CMG	Interest in controlled corporation	1,088,394,523 <i>(note 2)</i>	194,395,096 <i>(note 3)</i>	26.03%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,028,894,240 <i>(note 4)</i>	168,553,178 <i>(note 4)</i>	
CMNEG	Beneficial owner	579,944,250	–	26.03%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,537,344,513 <i>(note 5)</i>	362,948,274 <i>(note 5)</i>	
New Energy Exchange Limited (“NEX”)	Beneficial owner	274,055,449	–	26.03%
	Interest in controlled corporation	186,627,621	–	
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,656,605,693 <i>(note 6)</i>	362,948,274 <i>(note 6)</i>	
China Huarong Asset Management Co., Ltd.	Interest in controlled corporation	2,110,257,846 <i>(note 7)</i>	–	22.14%
ORIX Corporation	Interest in controlled corporation	1,074,138,234 <i>(note 8)</i>	–	15.34%
	others	–	387,810,759 <i>(note 8)</i>	
He Bing	Beneficial owner	559,701,493	–	5.87%
SINO-BLR Industrial Investment Fund, L.P.	Person having a security interest in shares	580,254,557	–	6.09%

Notes

1. These percentages are calculated based on 9,529,811,467 Shares in issue as at the Latest Practicable Date.

2. Among 1,088,394,523 Shares, 508,450,273 Shares were held by Snow Hill Developments Limited (“**Snow Hill**”), which is an indirect wholly-owned subsidiary of CMG, and 579,944,250 shares were held by CMNEG, which is indirectly owned as to 79.36% by CMG.
3. These 194,395,096 unlisted warrants were held by Snow Hill.
4. These Shares and unlisted warrants were held by a group of Shareholders acting in concert, including CMNEG and Snow Hill, pursuant to an agreement under Section 317 of the SFO. CMG was taken to be interested in 1,028,894,240 shares and 168,553,178 unlisted warrants.
5. These Shares and unlisted warrants were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. CMNEG was taken to be interested in 1,537,344,513 Shares and 362,948,274 unlisted warrants.
6. These Shares and unlisted warrants were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. NEX was taken to be interested in 1,656,605,693 Shares and 362,948,274 unlisted warrants.
7. Among these 2,110,257,846 Shares, 646,153,846 Shares were held by Power Revenue Limited, 904,104,000 Shares were held by New Modern Management Limited, and 560,000,000 Shares were held by Future Galaxy Asia Limited, each of 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), which is owned as to 51% by Huarong Zhiyuan Investment & Management Co., Ltd.# (華融致遠投資管理有限責任公司), a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. and is owned as to 40 % by Guangdong Jinfeng Group Co., Ltd.# (廣東錦峰集團有限公司) respectively, which is indirectly wholly-owned by Mr. Sun Siu Kit through his wholly-owned company, Hong Kong Kam Fung Group Company Limited.
8. These 1,074,138,234 Shares and 387,810,759 underlying Shares were held by ORIX, which is a wholly-owned subsidiary of ORIX Corporation.
9. Further to the Shareholders as set out above, as at the Latest Practicable Date, each of China Green Holdings Limited (an indirect wholly-owned subsidiary of NEX), Sino Arena Investments Limited, Magicgrand and Pairing Venture Limited, was holding 2,205,621 Shares, 57,351,748 Shares, 492,685,935 Shares and 18,173,487 Shares respectively, being parties acting in concert with CMNEG, Snow Hill and NEX pursuant to an agreement under Section 317 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTOR'S INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2017 (being the date of which the latest published audited financial statements of the Group were made up).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors had interests in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the loss-making of the Group as disclosed in the profit warning announcement of the Company dated 15 January 2019, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by Lego Corporate Finance Limited are given as of the date of this circular for incorporation herein.

10. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) the First Subscription Agreement and the Supplemental First Subscription Agreement;
- (b) the Second Subscription I Agreement;
- (c) the Second Subscription II Agreement;
- (d) the Third Subscription Agreement;
- (e) the Fourth Subscription Agreement and the Supplemental Fourth Subscription Agreement;

- (f) the engineering, procurement and construction contract dated 22 June 2018 entered into by Yangchun Zhaolian Lvhui Photovoltaics Power Generation Co., Ltd.# (陽春市招聯綠輝光伏發電有限公司), an indirect non wholly-owned subsidiary of the Company and Shanxi Silu Electricity Engineering Co. Ltd.# (山西絲路電力工程有限公司) as contractor (“**Shanxi Silu**”) in relation to engagement of Shanxi Silu to provide engineering, procurement and construction services for the development and operation of a 75MW agricultural and solar complementary power plant located in Guangdong Province, the PRC at the total consideration of RMB401,250,000;
- (g) the agreement dated 17 May 2018 entered into between Chayouqianqi United Photovoltaics Electricity Co., Ltd.# (察右前旗聯合光伏發電有限公司)(“**Chayouqianqi**”), an indirect wholly-owned subsidiary of the Company as purchaser and Shenzhen Clou Energy Service Co., Ltd.# (深圳市科陸能源服務有限公司)(“**Clou Energy**”) as vendor in relation to the acquisition of the entire equity interest in Zhuozi Luyang New Energy Co., Ltd.# (卓資縣陸陽新能源有限公司) at the consideration of RMB17,781,483.87.
- (h) the agreement dated 17 May 2018 entered into between Chayouqianqi as purchaser and Clou Energy as vendor in relation to the acquisition of 80% of the entire equity interest in Hangjinhouqi Guodian Photovoltaics Electricity Co., Ltd.# (杭錦後旗國電光伏發電有限公司) at the consideration of RMB81,220,929.42.
- (i) the partnership agreement dated 12 December 2017 entered into between Changzhou Zhaolian Lvvi New Energy Limited# (常州市招聯綠奕新能源有限公司)(“**Zhaolian Lvvi**”), a wholly-owned subsidiary of the Company, Ping An Securities Co., Ltd.# (平安證券股份有限公司), Wan Xiang Trust Limited# (萬向信託有限公司) and China Zheyin Synergy Capital Management Company Limited# (浙銀協同資本管理有限公司) as general partner for the purpose of the establishment of Changzhou Haozhen Venture Investment Center Limited Partnership# (常州灝貞創業投資中心(有限合夥)), a limited partnership, whereby the Group agreed to contribute RMB500 million;
- (j) the equity transfer agreement dated 12 October 2017 entered into between Chayouqianqi as purchaser and Beijing Guoruntianneng New Energy Technology Corporation# (北京國潤天能新能源科技股份有限公司) and Tibet Huaxin New Energy Co., Ltd.# (西藏華信新能源有限公司) as sellers, in relation to the acquisition of entire equity interest in Inner Mongolia Guorun Chayouqianqi Electricity Co., Ltd.# (內蒙古國潤(察右前旗)發電有限公司) by Chayouqianqi at the consideration of RMB196,000,000;
- (k) the equity transfer agreement dated 8 August 2017 entered into between the Partnership (as defined below) and Mr. Song in relation to the acquisition of 78% equity interest in Shench County Aike Solar Power Limited# (神池縣艾科光電有限責任公司), by the Partnership at the consideration of RMB15.78 million;

- (l) the equity transfer agreement dated 8 August 2017 entered into between the Partnership and Mr. Song in relation to the acquisition of 78% equity interest in Shanxi Aite Technology Wind Power Limited# (山西艾特科創風電有限責任公司), by the Partnership at the consideration of RMB9.36 million;
- (m) the sale and purchase agreement dated 12 May 2017 entered into between Panda Green Power Group Limited, a direct wholly-owned subsidiary of the Company as purchaser and Asia Pacific as vendor in relation to the acquisition of 100% equity interest in China New Energy Holdings (Hong Kong) Limited at the consideration of HK\$1,200,000,000;
- (n) the equity transfer agreement dated 24 April 2017 entered into between Inner Mongolia Xingbang United New Energy Co., Ltd.# (內蒙古興邦聯合光伏新能源有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser and Beijing Zhongteng IOT Technology Development Co., Ltd.# (北京中騰物聯科技發展有限公司) as seller in relation to the acquisition of 50% equity interest in Tibet China-Automation New Energy Technology Co., Ltd.# (西藏中自新能源技術有限公司) at the cash consideration of RMB108,032,935.96;
- (o) the subscription agreement dated 19 April 2017 entered into between the Company as issuer and China Huarong Macau (HK) Investment Holdings Limited as subscriber in relation to the subscription of 700,000,000 new Shares at the subscription price of HK\$0.95 per new Share;
- (p) the subscription agreement dated 31 March 2017 entered into between the Company as issuer and New Modern Management Limited as subscriber in relation to the subscription of 270,000,000 new Shares at the subscription price of HK\$0.83 per new Share;
- (q) the partnership agreement dated 16 March 2017 entered into between Zhaolian Lvyi as limited partner and China Zheyin Synergy Capital Management Company Limited# (浙銀協同資本管理有限公司) as general partner in relation to the establishment of Silkroad New Energy Fund Limited Partnership# (絲路新能源基金(有限合伙夥))(subsequent change the name to Hangzhou Canhong Investment Management Limited Partnership# (杭州燦鴻投資管理合夥企業(有限合伙夥)) (the “**Partnership**”) where Zhaolian Lvyi agreed to contribute RMB600,000,000; and

- (r) the engineering, procurement and construction contract dated 27 February 2017 entered into by Datong Panda Solar Power Co., Ltd.# (大同熊貓光伏發電有限公司), an indirect wholly-owned subsidiary of the Company and Sichuan Zhonghaichuanglian Electricity Engineering Co., Ltd.# (四川中海創聯電力工程有限公司) and Shanxi Silu Electricity Engineering Co., Ltd.# (山西絲路電力工程有限公司) as contractors (the “**EPC Contractors**”) in relation to the provision of provide engineering, procurement and construction services by the EPC Contractors for the construction of a 50MW panda-shaped solar power plant and a youth activity center located in Datong County, Shanxi Province, the PRC at the consideration of RMB369,020,500.

11. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, save for the disclose made in the paragraph 3(a) headed “Interests of Directors and Chief Executives” in this Appendix, none of the Directors or proposed Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (e) The share registrar of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (f) The company secretary of the Company is Mr. Lai Ka Ki, is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.
- (g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (d) the consent letter as referred to in the paragraph headed “9. Qualification and Consent of Expert” in this Appendix;
- (e) the material contracts referred to in the paragraph headed “10. Material Contracts” in this Appendix;
- (f) the annual reports of the Company for the two financial years ended 31 December 2017 and the interim report of the Company for the six months ended 30 June 2018; and
- (g) this circular.

NOTICE OF SPECIAL GENERAL MEETING



熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED

熊猫绿色能源集团有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Panda Green Energy Group Limited (the “**Company**”) will be held on Monday, 18 March 2019 at 11:30 a.m. at Unit 1407, 14/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution:

ORDINARY RESOLUTIONS

1. THE FIRST SUBSCRIPTION

“**THAT:-**

- (a) the subscription agreement dated 20 January 2019 entered into between the Company and Huaqing Solar Power Limited (the “**First Subscriber**”) (a copy of the First Subscription Agreement has been produced to the meeting and marked “A” and initialed by the chairman of the Meeting for identification purpose) and as amended and supplemented by a supplemental agreement dated 21 February 2019 and entered into between the Company and the First Subscriber (collectively the “**First Subscription Agreement**”) in relation to the subscription of 3,048,750,000 new shares of HK\$0.1 each (the “**Shares**”) in the capital of the Company (the “**First Subscription Shares**”) by the First Subscriber at the subscription price of HK\$0.3 per First Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in the First Subscription Shares on the Stock Exchange, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to allot and issue the First Subscription Shares in accordance with the terms of the First Subscription Agreement; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the First Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the First Subscription Shares.”

2. THE SECOND SUBSCRIPTION I

“THAT:-

- (a) the subscription agreement dated 20 January 2019 (the “**Second Subscription I Agreement**”) entered into between the Company and 深圳國調招商併購股權投資基金合夥企業(有限合夥)(transliterated as Shenzhen Guotiao China Merchant Merger Share Investment Fund (LP)) (the “**Second Subscriber I**”) (a copy of the Second Subscription I Agreement has been produced to the meeting and marked “B” and initialed by the chairman of the Meeting for identification purpose) in relation to the subscription of no less than 909,201,407 new Shares and no more than 1,216,793,309 new Shares (the “**Second Subscription I Shares**”) by the Second Subscriber I at the subscription price of HK\$0.3 per Second Subscription I Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Second Subscription I Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to allot and issue the Second Subscription I Shares in accordance with the terms of the Second Subscription I Agreement; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Second Subscription I Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Second Subscription I Shares.”

3. THE SECOND SUBSCRIPTION II

“THAT:-

- (a) the subscription agreement dated 20 January 2019 (the “**Second Subscription II Agreement**”) entered into between the Company and 深圳市國協一期股權投資基金合夥企業(有限合夥)(transliterated as Shenzhen City Guoshe First Share Investment Fund (LP)) (the “**Second Subscriber II**”) (a copy of the Second Subscription II Agreement has been produced to the meeting and marked “C” and initialed by the chairman of the Meeting for identification purpose) in relation to the subscription of 135,199,257 new Shares (the “**Second Subscription II Shares**”) by the Second Subscriber II at the subscription price of HK\$0.3 per Second Subscription II Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF SPECIAL GENERAL MEETING

- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Second Subscription II Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to allot and issue the Second Subscription II Shares in accordance with the terms of the Second Subscription II Agreement; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Second Subscription II Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Second Subscription II Shares.”

4. THE THIRD SUBSCRIPTION

“**THAT:-**

- (a) the subscription agreement dated 20 January 2019 (the “**Third Subscription Agreement**”) entered into between the Company and China Huarong Overseas Investment Holdings Co., Limited (中國華融海外投資控股有限公司)(the “**Third Subscriber**”) (a copy of the Third Subscription Agreement has been produced to the meeting and marked “D” and initialed by the chairman of the Meeting for identification purpose) in relation to the subscription of 938,054,087 new Shares (the “**Third Subscription Shares**”) by the Third Subscriber at the subscription price of HK\$0.3 per Third Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Third Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to allot and issue the Third Subscription Shares in accordance with the terms of the Third Subscription Agreement; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Third Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Third Subscription Shares.”

NOTICE OF SPECIAL GENERAL MEETING

5. THE FOURTH SUBSCRIPTION

“THAT:-

- (a) the subscription agreement dated 20 January 2019 entered into between the Company and Asia Pacific Energy and Infrastructure Investment Group Limited (亞太能源及基礎設施投資集團有限公司)(the **“Fourth Subscriber”**) (a copy of the Fourth Subscription Agreement has been produced to the meeting and marked “E” and initialed by the chairman of the Meeting for identification purpose) and as amended and supplemented by a supplemental agreement dated 21 February 2019 and entered into between the Company and the Fourth Subscriber (collectively the **“Fourth Subscription Agreement”**) in relation to the subscription of 382,396,814 new Shares (the **“Fourth Subscription Shares”**) by the Fourth Subscriber at the subscription price of HK\$0.3 per Fourth Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Fourth Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to allot and issue the Fourth Subscription Shares in accordance with the terms of the Fourth Subscription Agreement; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Fourth Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Fourth Subscription Shares.”

RE-ELECTION OF DIRECTORS

- 6. **“THAT** Mr. Li Guangqiang be re-elected as an executive Director and the board of Directors be authorised to fix his remuneration.”
- 7. **“THAT** Mr. Chen Hongsheng be re-elected as an independent non-executive Director and the board of Directors be authorised to fix his remuneration.”

Yours faithfully,
For and on behalf of
Panda Green Energy Group Limited
Li, Alan and Lu Zhenwei
Chairmen of the Board

Hong Kong, 1 March 2019

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*
Unit 1012, 10/F.
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the SGM will be Tuesday, 12 March 2019. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Monday, 11 March 2019 for registration.
6. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at <http://www.pandagreen.com> and on the Stock Exchange website at <http://www.hkexnews.com> notify shareholders of the Company of the date, time and place of the rescheduled meeting.
7. As at the date hereof, the Board comprises:

Executive Directors:

Mr. Li, Alan (*Chairman and Chief Executive Officer*)
Mr. Lu Zhenwei (*Co-Chairman*)
Mr. Yu Qiuming (*Co-Chief Executive Officer*)
Mr. Li Hong
Mr. Li Guangqiang

Independent non-executive Directors:

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Chen Hongsheng

Non-executive Directors:

Mr. Tang Wenyong
Mr. Li Hao
Ms. Xie Yi