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Shunfeng Photovoltaic International Limited

順風光電國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01165)

ANNOUNCEMENT

- (1) VERY SUBSTANTIAL ACQUISITION —
ACQUISITION OF EQUITY INTERESTS IN WUXI SUNTECH
(2) CONNECTED TRANSACTION — THE APPOINTMENT OF
A CONNECTED PERSON AS FINANCIAL ADVISER
AND
(3) RESUMPTION OF TRADING**

Financial Adviser to the Company



THE ACQUISITION

Reference is made to the announcement of the Company dated 8 October 2013 in relation to the possible acquisition of certain equity interests in Wuxi Suntech.

The Company is pleased to announce that Jiangsu Shunfeng was successful in its bid for the acquisition and reorganisation of Wuxi Suntech and on 24 October 2013, Jiangsu Shunfeng, Wuxi Suntech and the Administrator have entered into the Agreement, pursuant to which Jiangsu Shunfeng has conditionally agreed to purchase and the Administrator has conditionally agreed to sell, the Sale Equity Interests, being the entire equity interests in Wuxi Suntech as part of the Wuxi Suntech Reorganisation.

The aggregate consideration for the Acquisition is RMB3,000,000,000. In addition, Jiangsu Shunfeng undertakes to, in addition to the Consideration, guarantee the payment of US\$25,000,000 by Wuxi Suntech to Wuxi Guolian within three months after Completion.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the EGM.

The EGM will be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. Accordingly, no Shareholder is required to abstain from voting in the relevant resolutions approving the Agreement and the transactions contemplated thereunder.

In order to allow sufficient time for preparing the information to be included in the circular, the circular containing, among other things, further details of (i) the Agreement and the transactions contemplated thereunder; (ii) the Restructuring Plan; (iii) financial and other information of the Group and Wuxi Suntech; (iv) pro forma financial information on the enlarged Group upon Completion; and (v) the notice of the EGM, is expected to be despatched to Shareholders on or before 20 February 2014.

As at the date of this announcement, Mr. Cheng is a substantial shareholder of the Company. Partners Capital is an associate of Mr. Cheng and is, therefore, a connected person under the Listing Rules. The appointment of Partners Capital as the financial adviser of the Company in respect of the Acquisition is therefore a connected transaction under Chapter 14A of the Listing Rules. As the relevant percentage ratio in respect of the fees to be paid to Partners Capital in connection with its appointment as the financial adviser of the Company is more than 0.1% but less than 5%, such appointment is only subject to the reporting and announcement requirements and is exempted from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 24 October 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 4 November 2013.

As Completion is subject to the fulfilment (or if applicable, waiver) of the Conditions set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 8 October 2013 in relation to the possible acquisition of certain equity interests in Wuxi Suntech.

THE AGREEMENT

The principal terms of the Agreement are set out as follows:

Date

24 October 2013

Parties

- (i) Jiangsu Shunfeng, as purchaser;
- (ii) Wuxi Suntech, the target company; and
- (iii) the Administrator, the administrator of Wuxi Suntech appointed by the Wuxi Intermediate People's Court.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of Wuxi Suntech and the Administrator is an Independent Third Party.

Assets to be acquired

The Sale Equity Interests, representing the entire equity interests of Wuxi Suntech.

Upon Completion, Wuxi Suntech will become a wholly-owned subsidiary of the Company and the financial results of Wuxi Suntech are expected to be consolidated into the Group's accounts.

Consideration

The aggregate Consideration for the acquisition of the entire equity interests in Wuxi Suntech is RMB3,000,000,000 and is to be satisfied within one month upon Completion as follows:

- (i) the amount of RMB500,000,000 paid by the Company as deposit during the bidding process will be credited to the designated account of the Administrator as part of the total Consideration; and
- (ii) the amount of RMB2,500,000,000 shall be paid by the Company to the Administrator within one month upon both Conditions (1) and (2) below are satisfied.

Pursuant to the Agreement, the Consideration will be used to pay for (1) the bankruptcy expenses incurred by Wuxi Suntech; (2) the debts owed by Wuxi Suntech to its creditors and such debts have been reported to the Administrator and set out in the Restructuring Plan; and (3) certain debts that are recorded in the management accounts of Wuxi Suntech but have not otherwise been reported to the Administrator, and such debts satisfy the following conditions, (i) the statutory limitation period for debt recovery has not expired; (ii) the identity of the creditor is undisputed; (iii) such debts have not been repaid or set-off; and (iv) there is no other legal impediments preventing the creditors from asserting such rights.

The proposed sale and reorganisation of Wuxi Suntech was put through a competitive bidding process. Jiangsu Shunfeng made a bid for the proposed sale and reorganisation and the Consideration was included as part of such competitive bid. Whilst determining the amount of Consideration, the Company considered various factors, including the background of Wuxi Suntech, past financial performance and position of Wuxi Suntech, prospects of Wuxi Suntech and value of Wuxi Suntech based on the draft valuation report prepared by the valuer appointed by the Administrator.

The Board currently contemplates that the Company will finance the Acquisition through a number of means, including debt financing, internal resources or a combination of them. The Company has been in negotiations with certain financial institutions for financial support, and it is currently expected that the Acquisition will not be financed through capital fund raising exercise in the short run.

Conditions precedents

Completion of the Acquisition is conditional upon the fulfilment of the following conditions precedent:

1. the approval by the Shareholders at the EGM for the Agreement and the transactions contemplated thereunder; and
2. the Restructuring Plan being approved by the Wuxi Intermediate People's Court.

The above Conditions cannot be waived by the parties in any event. If the Conditions could not be satisfied, the parties to the Agreement have the right to terminate the Agreement with immediate effect.

The Company understands that the Restructuring Plan is also subject to the creditors and equity interests holder's approval in class meetings.

Completion

Completion shall take place on the date after all Conditions have been fulfilled. The Administrator is required to transfer the Sale Equity Interests to Jiangsu Shunfeng within five days from the payment of the Consideration by Jiangsu Shunfeng to the Administrator.

Other key terms

Pursuant to the terms of the Agreement, Jiangsu Shunfeng has agreed to, amongst others:

1. within two years after the Restructuring Plan is approved by the Wuxi Intermediate People's Court, based on the business development of Wuxi Suntech, provide funds to Wuxi Suntech for the upgrading of the fixed assets and working capital;
2. acknowledge that Wuxi Suntech will bear all of its rights and obligations as an independent legal entity upon completion of the Wuxi Suntech Reorganisation;

3. bear all losses of Wuxi Suntech during the period when the Wuxi Suntech Reorganisation takes place, in particular, in respect of the losses of Wuxi Suntech during the period from 20 March 2013 to 31 October 2013, Jiangsu Shunfeng undertakes to bear losses up to RMB20,000,000 per month. Such RMB20,000,000 does not include expenses relating to depreciation of fixed assets, and amortization of intangible assets, impairments and provisions relating to other types of assets, losses from investments (other than listed shares) and bankruptcy fees incurred during the period from 20 March 2013 to 31 October 2013 (the “**First Undertaking**”);
4. in addition to the Consideration, guarantee the payment of US\$25,000,000 by Wuxi Suntech to Wuxi Guolian within three months after Completion (the “**Second Undertakings**”, together with the First Undertaking, the “**Undertakings**”).

The Undertakings formed part of the commercial terms that were required by the Administrator in the bid-invitation documents. These financial obligations are therefore part of the Consideration that are to be borne by Jiangsu Shunfeng as part of the Acquisition.

Pursuant to the terms of the Agreement, the Administrator has agreed to, amongst others:

1. manage and supervise the implementation of the Restructuring Plan;
2. ensure that the Consideration paid by Jiangsu Shunfeng will be applied for the repayment of the debts of Wuxi Suntech in accordance with the terms of the Agreement and the Restructuring Plan;
3. during the period between the Agreement becoming effective and completion of the transfer of the Sale Equity Interests, assist Jiangsu Shunfeng in operating the business of Wuxi Suntech and facilitate changes to the management structure of Wuxi Suntech proposed by Jiangsu Shunfeng, including but not limited to, changes to the board of directors of Wuxi Suntech; and
4. liaise with the relevant tax authorities in the PRC in order to obtain tax exemption for the Wuxi Suntech Reorganisation.

Restructuring Plan

Under the Agreement, it is provided that the Wuxi Suntech Reorganisation will take place in accordance with the terms of the Restructuring Plan. The Restructuring Plan is to be further agreed and finalised by Jiangsu Shunfeng and the Administrator, and is subject to the approval of the creditors of Wuxi Suntech and/or endorsement by the Wuxi Intermediate People’s Court. Further details of the Restructuring Plan will be set out in the circular in relation to the Acquisition to be despatched to the Shareholders.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in the manufacturing and sales of solar cells, solar modules and related products.

The Administrator

The Administrator is designated by the Wuxi Intermediate People's Court pursuant to the order dated 20 March 2013 to administer the restructuring of Wuxi Suntech.

INFORMATION OF WUXI SUNTECH

Wuxi Suntech

Wuxi Suntech is a company incorporated in the PRC in January 2011 with a registered capital of US\$299,000,000 and is a wholly-owned subsidiary of Suntech Power, a company listed on the New York Stock Exchange.

Wuxi Suntech principally engages in the research and development, manufacturing and sales of solar cells and modules. Wuxi Suntech went into administration on 20 March 2013 pursuant to an order of the Wuxi Intermediate People's Court as it failed to pay its debts when they fell due.

Before Wuxi Suntech went into administration, it had three production plants in Wuxi, the PRC. Currently, production in one of the production plants for solar cells has ceased since the facilities at such production plant are obsolete. In respect of the other two production plants, one of them has an annual designed production capacity of 1.6GW for solar cells but its production had been temporarily suspended since August 2012 and it is estimated that its annual designed production capacity could reach 1.2GW once the operation of Wuxi Suntech resumes back to normal. The other production plant has two production lines with an aggregate annual designed production capacity of 2.4GW for solar modules. Amongst these two production lines, one production line with an annual designed production capacity of 1GW has been temporarily suspended since November 2012. The other production line with an annual production capacity of 1.4GW is currently under normal operation.

According to the offering memorandum prepared by the Administrator, the sales volume of Wuxi Suntech reached 1,500MW in 2012 and its products were sold around the world, including European countries, United States of America, Asia Pacific countries, Japan and Australia. The following is certain financial information of Wuxi Suntech extracted from the offering memorandum prepared by the Administrator for the two financial years ended 31 December 2012, which may not have consolidated the accounts of certain subsidiaries of Wuxi Suntech:

	For the year ended 31 December	
	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	563,570	136,880
Loss after tax	614,040	142,460
Net assets value	5,005,950	4,661,120

The audited consolidated accounts of Wuxi Suntech will be set out in the circular in relation to the Acquisition to be despatched to the Shareholders. Upon Completion, Wuxi Suntech will become a wholly-owned subsidiary of the Company and the financial results of Wuxi Suntech are expected to be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board believes that the Acquisition is a strategic opportunity that would be in the best interests of the Group for the following reasons:

(a) The Acquisition is consistent with the Company's business expansion strategies

The Group is principally engaged in the manufacturing and sales of solar cells, solar wafers and solar modules and is in the process of expanding into the construction and development of solar power stations. In recent years, the Group continues to explore opportunities as and when they arise to acquire additional production plants to increase the production capacity of the Group. Upon successful completion of the Acquisition, it is expected that the production capacities of solar cells and modules of the Group will increase which is expected to strengthen the existing business of the Group.

The PRC government considers environmental protection a priority in its strategic development. In the 12th five-year plan announced by the PRC government, it is stipulated that more national support will be provided to photovoltaic industry. The installed capacity requirements set by the national development plans for renewable energy is expected to stimulate demand for poly silicon, solar cells, and other products. Also, the continued development of the PRC economy is expected to drive the growth in demand of renewable energy. With Wuxi Suntech's production capacity and technology in production of solar cells and modules, the Board believes that the Acquisition represents an opportunity to expand its market position in an industry that presents growth opportunities and favorable government policies and the Group believes it is well positioned to capture such growth in demand for clean energy.

(b) High-level synergies with the Group's expansion into the solar power station operations

The Group has recently expanded its operations into the solar power station business in the PRC through a number of acquisitions. The Board believes that the Acquisition will strengthen the Group's production capabilities of solar products, which, in turn, is expected to provide stable supply of solar products for the construction of the solar power plants and strengthens the cost control ability of the Group, whereby creating synergies for the Group's expansion into the solar power station operations.

(c) The Acquisition will enhance the market position and profile of Group

Leveraging on the long established position of Wuxi Suntech in the solar energy industry before its administration, the Acquisition is expected to allow the Group to enhance its market position in the PRC solar energy industry. Due to favourable government policies and booming economy of the PRC, the Board believes that the Acquisition is expected to allow the Group to be well positioned to further increase its overall market share in the growing solar energy market.

The Directors consider that the terms of the Agreement, which were arrived at after arm's length negotiations between the Company and the parties thereto, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at the EGM.

The EGM will be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. Accordingly, no Shareholder is required to abstain from voting in the relevant resolutions approving the Agreement and the transactions contemplated thereunder.

In order to allow sufficient time for preparing the information to be included in the circular, the circular containing, among other things, further details of (i) the Agreement and the transactions contemplated thereunder; (ii) the Restructuring Plan; (iii) financial and other information of the Group and Wuxi Suntech; (iv) pro forma financial information on the enlarged Group upon Completion; and (v) the notice of the EGM, is expected to be despatched to Shareholders on or before 20 February 2014.

As no Director has a material interest in the Agreement and the transactions contemplated thereunder, and no Director was required to abstain from voting on the meeting of the Board for, amongst others, approving the Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Mr. Cheng is a substantial shareholder of the Company. Partners Capital is an associate of Mr. Cheng and is, therefore, a connected person under the Listing Rules. The appointment of Partners Capital as the financial adviser of the Company in respect of the Acquisition is therefore a connected transaction under Chapter 14A of the Listing Rules. As the relevant percentage ratio in respect of the fees to be paid to Partners Capital in connection with its appointment as the financial adviser of the Company is more than 0.1% but less than 5%, such appointment is only subject to the reporting and announcement requirements and is exempted from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

RESUMPTION OF TRADING

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Acquisition”	the acquisition of the Sale Equity Interests pursuant to the terms and conditions under the Agreement
“Administrator”	the administrator of Wuxi Suntech appointed by the Wuxi Intermediate People’s Court to be in charge of the restructuring of Wuxi Suntech as
“Agreement”	the conditional reorganisation agreement dated 24 October 2013 entered into between Jiangsu Shunfeng, Wuxi Suntech and the Administrator in relation to the acquisition of the entire equity interests in Wuxi Suntech
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shunfeng Photovoltaic International Limited, a company incorporated under the laws of the Cayman Islands and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement after satisfaction of all Conditions
“Conditions”	the conditions to Completion as referred to in the paragraph headed “Conditions precedents” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration payable in respect of the Acquisition pursuant to the Agreement
“Directors”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“GW”	gigawatts
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third part(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons (as defined under the Listing Rules)
“Jiangsu Shunfeng”	Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. (江蘇順風光電科技有限公司), a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheng”	Mr. Cheng Kin Ming, a substantial shareholder of the Company
“MW”	megawatts
“Partners Capital”	Partners Capital International Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“RMB”	the lawful currency of the PRC
“Restructuring Plan”	the restructuring plan in relation to Wuxi Suntech to be finalised by Jiangsu Shunfeng and the Administrator and is subject to the approval of the creditors of Wuxi Suntech and endorsement by the Wuxi Intermediate People’s Court
“Sale Equity Interests”	100% equity interest of Wuxi Suntech
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suntech Power”	Suntech Power Holdings Co., Ltd., a company listed on the New York Stock Exchange, and is the holding company of Wuxi Suntech
“Wuxi Guolian”	Wuxi Guolian Development (Group) Company Limited (無錫市國聯發展(集團)有限公司), an entity established and authorized by the government of Wuxi to invest in various state-owned properties, and is an Independent Third Party
“Wuxi Intermediate People’s Court”	Wuxi Municipal Intermediate People’s Court in Jiangsu Province, PRC
“Wuxi Suntech”	Wuxi Suntech Power Co., Ltd., a company incorporated in the PRC and is a wholly-owned subsidiary of Suntech Power Holdings Co. Ltd.
“Wuxi Suntech Reorganisation”	the reorganisation of Wuxi Suntech pursuant to the terms of the Restructuring Plan
“%”	per cent

By order of the Board
Shunfeng Photovoltaic International Limited
Zhang Yi
Chairman

Hong Kong, 1 November 2013

As at the date of this announcement, the executive directors are Mr. Zhang Yi, Mr. Wang Xiangfu, Mr. Shi Jianmin and Mr. Wang Yu; the non-executive directors are Mr. Lu Bin and Mr. Yue Yang; and the independent non-executive directors are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Siu Wai Keung Francis.