
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt

If you have sold or transferred

China Shuifa Singyes Energy Holdings Limited

Company



China Shuifa Singyes Energy Holdings Limited
中國水發興業能源集團有限公司

(incorporated in Bermuda with limited liability)
(Stock Code: 750)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITION OF THE TARGET COMPANIES
AND
NOTICE OF SGM**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this

A notice convening the SGM to be held at i.Link Group Limited, Room 901-5, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong on 6 December 2021 at 11:00 a.m. is set out on pages 106 to 108 of this circular. A form of proxy for use at the

branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road later than 11:00 a.m. on 4 December 2021) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will

PRECAUTIONARY MEASURES FOR THE SGM

COVID-19”), including:

- (2) compulsory wearing of a surgical face mask; and
- (3) no distribution of corporate gifts and no serving of refreshments.

Any person who does not comply with the precautionary measures (1) or (2) above or is subject to any Hong Kong Government

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PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing COVID-19 pandemic, the Company will implement necessary Shareholders, proxies and other attendees, including:

above the reference range quoted by the Department of Health from time to time may be

risk of community spread of COVID-19.

DEFINITIONS

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

and Dongying Tianze Acquisition;

中國水發興
業能源集團有限公司

Board of the Stock Exchange (Stock Code: 750);

中電投融和融資租
賃有限公司

Agreement 2017 and Cpi Ronghe Financial Lease Agreement
2016;

Agreement 2016”

Zhongmu and Cpi Ronghe, being contract number: RHZL-
2016-102-180-ZMXNY and the supplemental finance lease

Cpi Ronghe, being contract number: RHZL-2016-102-180-
ZMXNY-B2;

Agreement 2017”

Xintaishi Zhongmu and Cpi Ronghe, being contract number:
RHZL-2017-101-505-ZMXNY, together with the breakdown

“Director(s)”

the director(s) of the Company;

“Dongjiu Tianze PV Plant
Operation and Maintenance
Escrow Agreement”

the operation and maintenance escrow agreement of Dongjiu
Tianze PV Plant dated 1 June 2018 between Dongying Tianze
and Shandong Tianrong Ruilin and attached as Appendix 3 to
the Dongying Tianze Transfer of Rights Agreement

DEFINITIONS

“Dongying Tianze”	Dongying Tianze New Energy Technology Co., Ltd.* (東營天澤新能源科技有限公司)
“Dongying Tianze Acquisition”	the acquisition of 68% equity interest in Dongying Tianze (approximately HK\$61.20 million) as contemplated under the Dongying Tianze Sale and Purchase Agreement;
“Dongying Tianze Completion Date”	the date of completion of Dongying Tianze Acquisition;
“Dongying Tianze CPs”	the conditions precedent for Dongying Tianze Acquisition as stipulated in the Dongying Tianze Sale and Purchase Agreement;
“Dongying Tianze Sale and Purchase Agreement”	the sale and purchase agreement dated 30 September 2021 between the Purchaser, the Vendor and Dongying Tianze with respect to the Dongying Tianze Acquisition;
“Dongying Tianze Transfer of Rights Agreement”	the agreement dated 30 September 2021 between the Purchaser, the Vendor, Shandong Landi, Shandong Tianrong Ruilin, Jinan Ruipu Partnership and Dongying Tianze to transfer certain contractual rights enjoyed by the Vendor, Shandong Landi, Shandong Tianrong Ruilin, Jinan Ruipu Partnership and Dongying Tianze under a series of agreement;
“Financial Lease Agreements”	Jiangsu Financial Lease Agreement, Cpi Ronghe Financial Lease Agreement 2016, Cpi Ronghe Financial Lease Agreement 2017 and Huarun Financial Lease Agreement;
“Huarun Lease”	Huarun Lease Co., Ltd.* (華潤租賃有限公司) 68% equity interest in Dongying Tianze pursuant to the Huarun Lease Agreement;
“Huarun Financial Lease Agreement”	the finance lease agreement between Dongying Tianze and Huarun Lease, being contract number: CRL-ES-2019-

DEFINITIONS

the independent non-executive Directors, established for the

“Jiangsu Financial”	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) pursuant to the Jiangsu Financial Lease Agreement;
“Jiangsu Financial Lease Agreement”	the finance lease agreement between Shuifa Guangyao and Jiangsu Financial, being contract number: JFL19C01L011116-01;
“Latest Practicable Date”	18 November 2021, the latest practicable date prior to the Partnership)* (尤尼泰振青會計師事務所(特殊普通合夥))
“Purchaser”	Hunan Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司)

DEFINITIONS

	Zhongmu Sale and Purchase Agreement and Dongying Tianze
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Building, 141 Des Voeux Road Central, Central, Hong Kong on 6 December 2021 at 11:00 a.m. to consider and if, thought ft, approve the Acquisitions and the transactions contemplated
“Share Transfer Agreement of Dongying Tianze 25MW Fishery and Solar Power Project”	the share transfer agreement of Dongying Tianze 25MW Fishery and Solar Power Project dated 4 April 2019 between the Vendor, Shandong Landi, Shandong Tianrong Ruilin and Jinan Ruipu Partnership and attached as Appendix 1 to the Dongying Tianze Transfer of Rights Agreement;
“Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project”	the share transfer agreement of Xintai Zhongmu 20MW Photovoltaic Power Project dated November 2017 between Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu;
“Shuifa Energy”	Shuifa Energy Group Limited* (水發能源集團有限公司)
	Shandong Province of the PRC* (山東省國有資產監督管理委員會)
“Shuifa Group”	Shuifa Group Co., Ltd.* (水發集團有限公司)
“Shuifa Guangyao”	Heze Kaifaqu Shuifa Guangyao New Energy Co., Ltd.* (菏澤開發區水發光耀新能源有限公司)
	for a consideration of RMB3.16 million (equivalent to approximately HK\$3.79 million) as contemplated under the

DEFINITIONS

Completion Date”	
“Shuifa Guangyao Sale and Purchase Agreement”	the sale and purchase agreement dated 30 September 2021 between the Purchaser, the Vendor and Shuifa Guangyao with
the Share Transfer Agreement of Dongying Tianze”	of Dongying Tianze dated 3 December 2019 between the Vendor, Shandong Landi, Shandong Tianrong Ruilin and Jinan Ruipu Partnership and attached as Appendix 2 to the Dongying Tianze Transfer of Rights Agreement
“Target Companies”	Dongying Tianze, Shuifa Guangyao and Xintaishi Zhongmu; Dongying Tianze Transfer of Rights Agreement;
“Valuation Report”	the valuation report prepared by the Valuer dated 19 November 2021 in relation to the valuation of Shuifa Guangyao, Xintaishi Zhongmu and Dongying Tianze;
“Valuer”	Roma Appraisals Limited, the independent valuer appointed by
“Vendor”	Shandong Shuifa Clean Energy Technology Co., Ltd.* (山東水發清潔能源科技有限公司)
“Vendor Group”	the Vendor, the Vendor’s holding company and its subsidiaries,
“Xintaishi Zhongmu”	Xintaishi Zhongmu New Energy Technology Co., Ltd.* (新泰市中穆新能源科技有限公司)
	for a consideration of RMB49.02 million (equivalent to approximately HK\$58.82 million) as contemplated under the

DEFINITIONS

Completion Date”

“Xintaishi Zhongmu Sale and Purchase Agreement”	the sale and purchase agreement dated 30 September 2021 between the Purchaser, the Vendor and Xintaishi Zhongmu
“Xintaishi Zhongmu Transfer of Rights Agreement”	the agreement dated 30 September 2021 between the Purchaser, the Vendor, Shuifa Energy, Wang Qingchun and obligations of the Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project to the

In this circular, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC or Chinese government authorities or departments and their English translations, the Chinese names shall prevail.

Unless otherwise specified in circular, translations of RMB into HK\$ are made in this circular, for illustration only, at the rate of RMB1.0 = HK\$1.2. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate.

LETTER FROM THE BOARD



China Shuifa Singyes Energy Holdings Limited

中國水發興業能源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 750)

Executive Directors:

Mr. Zheng Qingtao (Chairman)
(Vice Chairman)

Mr. Wang Dongwei

Registered Office:

Hamilton HM12

Non-executive Directors:

Ms. Li Li

*Head office and principal place of
business in Hong Kong:*

Unit 3108, 31st Floor

Independent non-executive Directors:

Dr. Wang Ching
Mr. Yick Wing Fat, Simon
Dr. Tan Hongwei

168-200 Connaught Road Central
Hong Kong

19 November 2021

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE ACQUISITION OF THE TARGET COMPANIES
AND
NOTICE OF SGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 30 September 2021 in relation of the conditions precedent, the Purchaser has agreed to purchase and the Vendor has agreed to Zhongmu; and (iii) 68% of the equity interest in Dongying Tianze, at an aggregate consideration of RMB103.18 million (equivalent to approximately HK\$123.82 million). Upon Completions, Shuifa Dongying Tianze will become non-wholly owned subsidiaries of the Company. The Acquisitions

LETTER FROM THE BOARD

THE ACQUISITIONS

On 30 September 2021, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreements with the Vendor and the respective Target Companies, pursuant to which, subject to the fulfilment of the conditions precedent, the Purchaser has agreed to purchase and the Vendor has agreed to sell (i) 100% of the equity interest in Shuifa Guangyao; (ii) 86% of the equity interest in Xintaishi Zhongmu; and (iii) 68% of the equity interest in Dongying Tianze, at an aggregate consideration of RMB103.18 million (equivalent to approximately HK\$123.82 million).

The principal terms of each of the Sale and Purchase Agreements are set out as follows:

(i) Shuifa Guangyao Sale and Purchase Agreement

Date

30 September 2021

Parties

- (1) Hunan Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司)
- (2) Shandong Shuifa Clean Energy Technology Co., Ltd.* (山東水發清潔能源科技有限公司), as the Vendor; and
- (3) Heze Kaifaqu Shuifa Guangyao New Energy Co., Ltd.* (荷澤開發區水發光耀新能源有限公司)

As at the date of the Shuifa Guangyao Sale and Purchase Agreement, the Vendor is

66.92% of the issued share capital of the Company. Shuifa Guangyao, being owned as to 100% by the Vendor and therefore an associate of the Vendor, is also a connected person

LETTER FROM THE BOARD

Subject Matter

Purchase Agreement is 100% equity interest in Shuifa Guangyao held by the Vendor.

Consideration

The consideration payable by the Purchaser to the Vendor for the Shuifa Guangyao Acquisition is RMB3.16 million (equivalent to approximately HK\$3.79 million), which shall be payable by the Purchaser to the Vendor by cash or by wire transfer in two instalments as follows:

Instalment	Amount	Due date
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(RMB)

Guangyao CPs are being satisfied.

2	1,264,000	
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LETTER FROM THE BOARD

arm's length negotiation between the Purchaser and the Vendor by reference to,

RMB9,000,000 by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

under the section headed "Information on the Purchaser and the reasons for and benefits of the Acquisitions" below, the Directors are of the view that the consideration payable

higher than the subscribed registered capital paid by the Vendor, taking into account that (i) at the time when the Vendor invested in Shuifa Guangyao, the 2MW distributed

grid on 30 November 2019); (ii) the Vendor has duly completed certain registration procedures of the 2MW distributed photovoltaic power station which lowered the risks of such project; (iii) after the investment made by the Vendor, the net asset value of

the Vendor; and (iv) with the implementation of the Chinese government policies such

project resources and is marketed at a good premium, the Directors are of the view

the subscribed registered capital paid by the Vendor, is fair and reasonable and in the

Conditions Precedent

The Purchaser shall pay the first instalment of the consideration to the Vendor **Shuifa Guangyao CPs**) are being satisfied:

LETTER FROM THE BOARD

- (c) the Vendor having completed the internal approval procedures of state-including but not limited to obtaining internal approvals from the Vendor
- (d) the Vendor not having materially breached any of the warranties given by it
- (e) Jiangsu Financial having agreed to cooperate with the Vendor to discharge

30 April 2021.

Practicable Date, condition (c) above has been satisfied.

Completion

Shuifa Guangyao Completion Date’):

Guangyao’s assets including but not limited to fixed assets, land certificates, licenses, tax registration certificates, organization code certificates and other approval certificates, permit certificates, qualification certificates, approvals confirmation, to perform the handover procedures).

It is expected that the Shuifa Guangyao Completion Date will take place within

Shuifa Guangyao and Instalment 2 of the consideration, being RMB1,264,000, will be paid by the Purchaser to the Vendor on the Shuifa Guangyao Completion Date.

LETTER FROM THE BOARD

Consideration Adjustment

The transition period shall start from 30 April 2021 and end on the Shuifa Guangyao Completion Date, and the Vendor shall ensure that the shareholders' equity

Vendor and the Purchaser agree to conduct a subsequent audit on the transition period both parties. If, after audit, the shareholders' equity has been reduced due to the Vendor's reduced accordingly. The reduction of consideration shall follow the following formula: amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall

LETTER FROM THE BOARD

of the Vendor and the Purchaser's taxation matters, except as agreed by the Vendor and the Purchaser;

As at 30 April 2021, the audited shareholders' equity in Shuifa Guangyao under in the financial information of Shuifa Guangyao after 30 April 2021 which may affect

Special Agreement and Undertakings

completed. In the event that Shuifa Guangyao suffers any administrative penalties or any losses due to issues with the project formalities, the Vendor shall be liable for such losses suffered by Shuifa Guangyao.

- (b) Vendor warrants that Shuifa Guangyao and Jiangsu Financial have signed the Jiangsu Financial Lease Agreement with a total rental amount of RMB7,088,700.00, and upon the signing of the Shuifa Guangyao Sale and Jiangsu Financial in accordance with the Jiangsu Financial Lease Agreement, and them
-

LETTER FROM THE BOARD

(d) The Vendor shall be liable for any costs incurred by Shuifa Guangyao for the

As at the Latest Practicable Date, the Company does not foresee any potential

the Jiangsu Financial Lease Agreement after 30 April 2021 would not have any

All necessary licenses, approvals, certificates and permits for the construction and

(ii) Xintaishi Zhongmu Sale and Purchase Agreement

Date

30 September 2021

Parties

- (1) Hunan Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司)
- (2) Shandong Shuifa Clean Energy Technology Co., Ltd.* (山東水發清潔能源科技有限公司), as the Vendor; and
- (3) Xintaishi Zhongmu New Energy Technology Co., Ltd.* (新泰市中穆新能源科技有限公司)

Vendor is a directly wholly owned subsidiary of Shuifa Energy, which is a controlling approximately 66.92% of the issued share capital of the Company. Xintaishi Zhongmu, being owned as to 86% by the Vendor and therefore an associate of the Vendor, is also a

Subject Matter

Purchase Agreement is 86% equity interest in Xintaishi Zhongmu held by the Vendor.

LETTER FROM THE BOARD

Consideration

The consideration payable by the Purchaser to the Vendor for the Xintaishi Zhongmu Acquisition is RMB49.02 million (equivalent to approximately HK\$58.82 million), which shall be payable by the Purchaser to the Vendor by cash or by wire transfer as follows:

Amount (RMB)	Due date
29,412,000	Upon all the Xintaishi Zhongmu CPs are being satisfied.
7,905,000	20MW Photovoltaic Power Project, as Wang Qingchun* 王慶春 of RMB7,905,000 payable by the Vendor to Wang Qingchun is payment conditions are being satisfied by Wang Qingchun, the Purchaser shall pay RMB7,905,000 to Wang Qingchun
11,703,000	

Pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, the payment conditions to be satisfied by Wang Qingchun are as follows:

with the tax to be borne by Wang Qingchun;

- (d) properly settling the litigation dispute with Xintaishi Shilaizhen Xishilaisi Villagers' Committee* (新泰市石萊鎮西石萊四村民委員會
Xintaishi Shilaizhen Liuzhiyuanchun Villagers' Committee* (新泰市石萊鎮劉志園村村民委員會

LETTER FROM THE BOARD

procedures and other relevant procedures for the 20MW grid-connected

to Tianhe New Energy Investment Co., Ltd.* (天合新能源投資有限公司 and pledging the 15% shares in Xintaishi Zhongmu held by Wang Qingchun

Shilaizhen Xishilaisi Villagers' Committee and Xintaishi Shilaizhen Liuzhiyuanchun Villagers' Committee have withdrawn their legal actions against Xintaishi Zhongmu. As at the Latest Practicable Date, there are no outstanding litigation or arbitration

certification of the safety evaluation report has not yet been obtained. The Vendor and Wang Qingchun has facilitated Xintaishi Zhongmu in engaging qualified third party agency to complete the safety evaluation for the 20MW grid-connected photovoltaic

the Latest Practicable Date, the safety evaluation report has been issued and is under the

Company is not aware of any legal impediment to obtain the relevant certification for the safety evaluation report. Apart from the certification of the safety evaluation report, there

procedures and other relevant procedures for the 20MW grid-connected photovoltaic

20MW grid-connected photovoltaic power generation project, is less than 10% of the

Xintai Zhongmu 20MW Photovoltaic Power Project, Wang Qingchun shall be liable for any additional costs incurred for satisfying item (e) above. The Directors are therefore

satisfied by Wang Qingchun.

It is expected that the payment of RMB7,905,000 to Wang Qingchun by the Purchaser will be around June 2022 as Xintaishi Zhongmu expects that the outstanding certification of the safety evaluation report of the 20MW grid-connected photovoltaic power generation project will be completed around June 2022.

LETTER FROM THE BOARD

Taking into account that (i) the Vendor, Xintaishi Zhongmu and the Purchaser are

relation to the Xintaishi Zhongmu Acquisition, the Directors are therefore of view that

business days after all the Xintaishi Zhongmu CPs are satisfied, the Vendor has agreed

Purchaser to Vendor and/or Wang Qingchun, to the Purchaser within two business days

Zhongmu Transfer of Rights Agreement shall be lapsed. The Directors therefore consider

the Xintaishi Zhongmu CPs are satisfied and the completion of registration will depend

arm's length negotiation between the Purchaser and the Vendor by reference to, among

RMB136,000,000 by using the market-based approach as at 30 April 2021 by the Valuer

in the Valuation Report.

under the section headed "Information on the Purchaser and the reasons for and benefits

of the Acquisitions" below, the Directors are of the view that the consideration payable

LETTER FROM THE BOARD

higher than the original acquisition cost of the Vendor, taking into account that (i) at the time that the Vendor acquired the 85% shares in Xintaishi Zhongmu, the 20MW grid-renewable energy subsidy list (listed on 31 May 2021); (ii) the actual annual power generation of the 20MW grid-connected photovoltaic power generation project is higher than the annual power generation estimated at the time when the Vendor acquired the 85% shares in Xintaishi Zhongmu; (iii) the Vendor and Wang Qingchun have the conservation of water and soil evaluation and the safety evaluation for the 20MW

Facilities for Zhongmu Xintai 20MW Grid-connected Photovoltaic Power Generation Project* (《關於對中穆新泰20MW并網光伏發電項目水保設施自主驗收報備證明的函》) issued by the Xintai Water Conservancy Bureau* (新泰市水利局) on 22 October 2021. Further, with the facilitation of the Vendor and Wang Qingchun, Xintaishi Zhongmu has also obtained the property certificate of the 20MW grid-connected

therefore lowered; (iv) the Vendor has conducted regular technical improvements acquisition by Vendor, the net asset value of Xintaishi Zhongmu has increased and

20MW grid-connected photovoltaic power generation project is one of scarce project resources and is marketed at a good premium, the Directors are of the view that the original acquisition cost of the Vendor, is fair and reasonable and in the interests of the

Conditions Precedent

The Purchaser shall pay RMB29,412,000 of the consideration to the Vendor
Xintaishi Zhongmu CPs
satisfied:

LETTER FROM THE BOARD

- (c) the Vendor having completed the internal approval procedures of state-owned assets supervision and approvals from the State-owned Assets Supervision and Administration Commission of the State Council, the Vendor Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council;
- (d) the Vendor not having materially breached any of the warranties given by it;
- (e) Cpi Ronghe having agreed to cooperate with the Vendor to discharge the

30 April 2021.

Practicable Date, condition (c) above has been satisfied.

Completion

Xintaishi Zhongmu Completion Date”):

Zhongmu’s assets including but not limited to fixed assets, land certificates, licenses, tax registration certificates, organization code certificates and other approval certificates, permit certificates, qualification certificates, approvals and confirmations, to perform the handover procedures).

LETTER FROM THE BOARD

It is expected that the Xintaishi Zhongmu Completion Date will take place

RMB11,703,000, will be paid by the Purchaser to the Vendor on the Xintaishi Zhongmu Completion Date.

Consideration Adjustment

The transition period shall start from 30 April 2021 and end on the Xintaishi Zhongmu Completion Date, and the Vendor shall ensure that the shareholders' equity in

Vendor and the Purchaser agree to conduct a subsequent audit on the transition period of both parties. If, after audit, the shareholders' equity has been reduced due to the Vendor's reduced accordingly. The reduction of consideration shall follow the following formula: amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall any subsequent payment to be made by the Purchaser to the Vendor. If the amount paid

During the transition period, the Vendor undertakes that:

- (2) except with prior written consent by the Purchaser, it will not sell, assign

- (3) it shall not establish new subsidiaries or new branches;

LETTER FROM THE BOARD

(7) it shall not sell, leave, give, mortgage, pledge or otherwise dispose of any

respect of the Vendor and the Purchaser's taxation matters, except as agreed by the Vendor and the Purchaser;

As at 30 April 2021, the audited shareholders' equity in Xintaishi Zhongmu under PRC GAAP was RMB44,121,165.25. The Company is not aware of any material changes in the financial information of Xintaishi Zhongmu after 30 April 2021 which may affect the consideration.

Special Agreement and Undertakings

penalties or any losses due to issues with the project formalities, the Vendor shall be liable for such losses suffered by Xintaishi Zhongmu.

- (b) The Vendor shall be liable for any losses suffered by Xintaishi Zhongmu arising Zhongmu Completion Date, including but not limited to construction, operation,
- (c) The Vendor shall be liable for any costs incurred by Xintaishi Zhongmu before the Xintaishi Zhongmu Completion Date for the compliance of social insurance

LETTER FROM THE BOARD

in accordance with the law before the Xintaishi Zhongmu Completion Date, the Vendor shall be liable for any adverse consequences suffered by Xintaishi

thereby affecting the production and operation of Xintaishi Zhongmu, the Vendor shall be liable for all such losses suffered by Xintaishi Zhongmu.

Zhongmu Sale and Purchase Agreement in accordance with the law, the Vendor

- (g) In relation to the compliance of Xintaishi Zhongmu in leasing land, the Vendor shall be liable for any losses suffered by Xintaishi Zhongmu as a result of disputes

Lease Agreement 2017, with a total rental amount of RMB48,946,251.37, in

Financial Lease Agreement 2017. As at 30 April 2021, Xintaishi Zhongmu was still required to pay RMB39,850,005.41 to Cpi Ronghe, and Xintaishi Zhongmu

Agreement 2017 after the Xintaishi Zhongmu Acquisition.

Lease Agreement 2016, with a total rental amount of RMB121,496,613.90, in

Financial Lease Agreement 2016. As at 30 April 2021, Xintaishi Zhongmu was still required to pay RMB76,265,472.36 to Cpi Ronghe, and Xintaishi Zhongmu

Agreement 2016 after the Xintaishi Zhongmu Acquisition.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company does not foresee any potential

2016 and Cpi Ronghe Financial Lease Agreement 2017.

the Cpi Ronghe Financial Lease Agreement 2016 and Cpi Ronghe Financial Lease Agreement 2017 after 30 April 2021 would not have any material effects on the financial information of Xintaishi Zhongmu which may affect the consideration for the Xintaishi

necessary licenses, approvals, certificates and permits for the construction and business

(iii) Dongying Tianze Sale and Purchase Agreement

Date

30 September 2021

Parties

- (1) Hunan Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司)
- (2) Shandong Shuifa Clean Energy Technology Co., Ltd.* (山東水發清潔能源科技有限公司), as the Vendor; and
- (3) Dongying Tianze New Energy Technology Co., Ltd.* (東營天澤新能源科技有限公司)

As at the date of the Dongying Tianze Sale and Purchase Agreement, the Vendor is

66.92% of the issued share capital of the Company. Dongying Tianze, being owned as to 68% by the Vendor and therefore an associate of the Vendor, is also a connected person

LETTER FROM THE BOARD

Subject Matter

The subject matter of the sale and purchase under the Dongying Tianze Sale and Purchase Agreement is 68% equity interest in Dongying Tianze held by the Vendor.

Consideration

The consideration payable by the Purchaser to the Vendor for the Dongying Tianze Acquisition is RMB51.00 million (equivalent to approximately HK\$61.20 million), which shall be payable by the Purchaser to the Vendor by cash or by wire transfer in two instalments as follows:

Instalment	Amount	Due date
	(RMB)	
	30,600,000	Upon all the Dongying Tianze CPs are being satisfied.
2	20,400,000	

Taking into account that (i) the Vendor, Dongying Tianze and the Purchaser are from Huarun Lease, the equity interests in Dongying Tianze is clear, legal and valid and there is no dispute or controversy in relation to the equity interests in Dongying Tianze; and (iii) Shuifa Group has completed its internal approval procedures in relation to the Dongying Tianze Acquisition, the Directors are therefore of view that the risk

days after all the Dongying Tianze CPs are satisfied, the Vendor has agreed to refund Instalment 1 of the consideration, being RMB30,600,000, to the Purchaser within two business days thereafter and the Dongying Tianze Sale and Purchase Agreement and the Dongying Tianze Transfer of Rights Agreement shall be lapsed. The Directors therefore consider that the payment terms of the Dongying Tianze Acquisition are fair

business days after all the Dongying Tianze CPs are satisfied and the completion of

The consideration for the Dongying Tianze Acquisition was determined after arm's length negotiation between the Purchaser and the Vendor by reference to, among others, the historical financial performance of Dongying Tianze and the assets and liabilities of Dongying Tianze. In addition, the Purchaser also took into account the valuation of the 68% equity interest in Dongying Tianze at approximately RMB92,000,000 by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report. The consideration for the Dongying Tianze Acquisition did not attach any particular value to the Dongying Tianze Transfer of Rights Agreement.

LETTER FROM THE BOARD

Taking into account that (i) the consideration payable for the Dongying Tianze Acquisition is lower than the valuation of the 68% equity interest in Dongying Tianze;

Dongying Tianze as disclosed under the section headed “Information on Dongying Tianze” below; and (iii) the reasons for and benefits of the Acquisitions as stated under the section headed “Information on the Purchaser and the reasons for and benefits of the Acquisitions” below, the Directors are of the view that the consideration payable for the Dongying Tianze Acquisition is fair and reasonable and in the interests of the Company

Although the consideration payable for the Dongying Tianze Acquisition is higher than the original acquisition cost of the Vendor, taking into account that (i) the actual annual power generation of the 25MW grid-connected power generation project is higher than the annual power generation estimated at the time when the Vendor acquired the 68% shares in Dongying Tianze; (ii) the Vendor has duly completed certain registration procedures of the 25MW grid-connected power generation project which lowered the risks of such project; (iii) the Vendor has conducted regular technical

after the acquisition by Vendor, the net asset value of Dongying Tianze has increased and Dongying Tianze has not paid any dividends to its shareholders; and (v) with the

25MW grid-connected power generation project is one of scarce project resources and is marketed at a good premium, the Directors are of the view that the consideration payable for the Dongying Tianze Acquisition, at a premium to the original acquisition cost of the Vendor, is fair and reasonable and in the interests of the Company and its Shareholders

Conditions Precedent

The Purchaser shall pay the first instalment of the consideration to the Vendor
Dongying Tianze CPs
satisfied:

the Dongying Tianze Acquisition;

contemplated under the Dongying Tianze Sale and Purchase Agreement in

LETTER FROM THE BOARD

- (c) the Vendor having completed the internal approval procedures of state-owned enterprise of the PRC in respect of the Dongying Tianze Acquisition, including but not limited to obtaining internal approvals from the Vendor
- (d) the Vendor not having materially breached any of the warranties given by it under the Dongying Tianze Sale and Purchase Agreement;
- (e) Huarun Lease having agreed to cooperate with the Vendor to discharge the pledge on 68% equity interest in Dongying Tianze; and
- (f) there has not been any material adverse impact or change on Dongying Tianze since 30 April 2021.

Practicable Date, condition (c) above has been satisfied.

Completion

Completion of Dongying Tianze Acquisition shall take place on the date of **Dongying Tianze Completion Date**):

changes in relation to the Dongying Tianze Acquisition. Within three business days after the completion of registration, Dongying Tianze shall

management of Dongying Tianze, various documents and Dongying Tianze's assets including but not limited to fixed assets, land certificates,

licenses, tax registration certificates, organization code certificates and other approval certificates, permit certificates, qualification certificates, approvals

confirmation, to perform the handover procedures).

It is expected that the Dongying Tianze Completion Date will take place within

Dongying Tianze and Instalment 2 of the consideration, being RMB20,400,000, will be paid by the Purchaser to the Vendor on the Dongying Tianze Completion Date.

LETTER FROM THE BOARD

Consideration Adjustment

The transition period shall start from 30 April 2021 and end on the Dongying Tianze Completion Date, and the Vendor shall ensure that the shareholders' equity in Dongying Tianze shall not be reduced during the transition period. Within one month from the date of signing of the Dongying Tianze Sale and Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent audit on the transition period of Dongying Tianze by the Original Auditor, and the audit results shall be approved by both parties. If, after audit, the shareholders' equity has been reduced due to the Vendor's

reduced accordingly. The reduction of consideration shall follow the following formula:

amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall

any subsequent payment to be made by the Purchaser to the Vendor. If the shareholders' equity has increased during the transition period, the increase shall belong to Dongying Tianze and the consideration will not be adjusted.

During the transition period, the Vendor undertakes that:

that Dongying Tianze's revenue shall not be reduced;

(2) except with prior written consent by the Purchaser, it will not sell, assign or transfer part or all of the 68% equity interests of Dongying Tianze, or create

Dongying Tianze, and it will ensure that Dongying Tianze shall conduct its

(3) it shall not establish new subsidiaries or new branches;

contract shall result in Dongying Tianze assuming obligations or liabilities

(7) it shall not sell, leave, give, mortgage, pledge or otherwise dispose of any

(8) it shall not amend any provisions of Dongying Tianze's articles of

LETTER FROM THE BOARD

- (9) it shall not cause Dongying Tianze to make any material payment in respect of the Vendor and the Purchaser's taxation matters, except as agreed by the Vendor and the Purchaser;

that are material to the business of Dongying Tianze or involves a subject

As at 30 April 2021, the audited shareholders' equity in Dongying Tianze under PRC GAAP was RMB62,725,763.64. The Company is not aware of any material changes in the financial information of Dongying Tianze after 30 April 2021 which may affect the consideration.

Special Agreement and Undertakings

- (a) The Vendor shall be liable for any losses suffered by Dongying Tianze arising from or resulting from acts or facts already existing prior to the Dongying Tianze Completion Date, including but not limited to construction, operation, labour
- (b) The Vendor shall be liable for any losses and damages suffered by Dongying Tianze before 30 April 2021, arising from the performance of employment
- (c) The Vendor warrants that after the Purchaser becomes the shareholder of Dongying Tianze, any disputes, losses and compensation arising from the performance of employment relationship by employees of Dongying Tianze before the Dongying Tianze Completion Date, shall be properly handled by the Vendor. Any losses caused to Dongying Tianze or the Purchaser as a result of such, shall be fully borne by the Vendor.
- (d) Vendor warrants that Dongying Tianze and Huarun Lease have signed the Huarun Financial Lease Agreement with a total rental amount of RMB214,317,447.80, and upon the signing of the Dongying Tianze Sale and Purchase Agreement, Dongying Tianze has duly and timely paid the rent to Huarun Lease in accordance

Huarun Financial Lease Agreement. As at 30 April 2021, Dongying Tianze was still required to pay RMB188,967,547.80 to Huarun Lease, and Dongying Tianze shall continue to perform its obligations under the Huarun Financial Lease Agreement after the Dongying Tianze Acquisition.

As at the Latest Practicable Date, the Company does not foresee any potential penalties or losses to Dongying Tianze or any adverse impact to the operations of Dongying Tianze due to matters set out in (a) to (d) above.

LETTER FROM THE BOARD

the Huarun Financial Lease Agreement after 30 April 2021 would not have any material effects on the financial information of Dongying Tianze which may affect the consideration for the Dongying Tianze Acquisition.

All necessary licenses, approvals, certificates and permits for the construction and business operation of the project under the Dongying Tianze have been obtained.

FINANCIAL LEASE AGREEMENTS

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Jiangsu Financial, Cpi Ronghe and Huarun Lease, and their respective ultimate beneficial

The principal terms of each of the Financial Lease Agreements are set out as follows:

(i) Jiangsu Financial Lease Agreement

- : Jiangsu Financial
- :
- Date of agreement 12 December 2019
- : 2MW photovoltaic power generation system
- RMB5,812,862.32
- : From 17 December 2019 to 17 December 2025
- : RMB596,900 payable on 17 December 2019
- : An aggregate amount of RMB6,490,800 to be paid in 72
- :
- : RMB300,000 payable on 17 December 2019
- : During the lease period, the ownership of the leased assets

LETTER FROM THE BOARD

(ii) Cpi Ronghe Financial Lease Agreement 2016

:
:
Date of agreement 30 May 2016 (supplemented on 4 December 2017 and 10 July 2018)
:
RMB76,700,000
: From 13 June 2016 to 12 June 2026
: An aggregate amount of RMB121,234,824.48 payable in

: During the lease period, the ownership of the leased assets

Lease Agreement 2016 and the payment of the

LETTER FROM THE BOARD

(iii) Cpi Ronghe Financial Lease Agreement 2017

- :
 - :
 - Date of agreement 5 December 2017 (supplemented on 12 April 2018)
 - :
 - Financial Lease Agreement 2017
 - RMB31,650,000
 - : From 20 December 2017 to 19 December 2027
 - : An aggregate amount of RMB48,946,251.37 payable in 41
- Financial Lease Agreement 2017
- : During the lease period, the ownership of the leased assets
- Lease Agreement 2017 and the payment of the

LETTER FROM THE BOARD

(iv) Huarun Financial Lease Agreement

:
: Dongying Tianze
Date of agreement 28 April 2019 (supplemented on 8 April 2020)
:
:
: Approximately RMB206,017,447.80 payable in 36
: RMB8,300,000, in which RMB6,300,000 to be directly set-off from the principal amount payable by lessor to lessee and RMB2,000,000 to be payable by lessee to lessor together with the 20th instalment of the rent
:
: During the lease period, the ownership of the leased assets

As one of the conditions precedent for the Shuifa Guangyao Acquisition, Jiangsu Financial
Jiangsu Financial to guarantee the performance of the Jiangsu Financial Lease Agreement by Shuifa

LETTER FROM THE BOARD

2016 and Cpi Ronghe Financial Lease Agreement 2017 by Xintaishi Zhongmu.

As one of the conditions precedent for the Dongying Tianze Acquisition, Huarun Lease shall discharge the pledge on 68% equity interest in Dongying Tianze. Upon the completion of the Dongying Tianze Acquisition, the Purchaser shall pledge 68% equity interest in Dongying Tianze to Huarun Lease to guarantee the performance of the Huarun Financial Lease Agreement by Dongying Tianze.

XINTAISHI ZHONGMU TRANSFER OF RIGHTS AGREEMENT

On 30 September 2021, the Purchaser entered into the Xintaishi Zhongmu Transfer of Rights Agreement with the Vendor, Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu, pursuant to which, the parties agree that:

- (a) Wang Qingchun fully agrees and has no objection to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project and the succession by the Vendor to all of Shuifa Energy's rights in the Share Transfer Agreement of Xintai Zhongmu 20MW

the Purchaser shall enjoy all rights enjoyed by the Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project.

- (c) Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu undertake that they will perform 20MW Photovoltaic Power Project in favour of the Purchaser.

- (d) In satisfying one of the payment conditions by Wang Qingchun as stated under the section headed "Acquisitions" above, Wang Qingchun has pledged its 15% shares in Xintaishi Zhongmu to Shuifa Energy on 27 December 2017. As stated under the section headed "Information on Xintaishi Zhongmu", on 21 July 2021, 1% equity interest of Xintaishi Zhongmu was transferred by Wang Qingchun to the Vendor without

was no longer pledged to Shuifa Energy. As at the Latest Practicable Date, 14% equity interest of Xintaishi Zhongmu held by Wang Qingchun was charged to Shuifa Energy. As the Vendor has succeeded all of Shuifa Energy's rights in the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project (item (a) above), and

LETTER FROM THE BOARD

the Purchaser enjoy all rights enjoyed by the Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project (item (b) above), if the Purchaser subsequently gives written notice to Wang Qingchun and requests to enforce its rights under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, Wang Qingchun shall, within three business days of receipt of such written

in the release procedure: (i) release the pledged shares of Xintaishi Zhongmu and (ii)

Purchaser shall assume all obligations of the Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project. The parties agree that, upon all payment conditions are being satisfied by Wang Qingchun, the Purchaser shall pay RMB7,905,000 to Wang Qingchun directly and RMB7,905,000 shall be deducted from

In relation to item (d) above, Shuifa Energy, Wang Qingchun, Xintaishi Zhongmu and the

The Directors are therefore of the view that the terms of the Xintaishi Zhongmu Transfer of Rights

Pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, the rights and obligations of the Vendor to be borne by the Purchaser and the obligations and warranties undertaken by Wang Qingchun in favour of the Vendor to be succeeded by the Purchaser are set out as follows:

Rights and obligations of the Vendor	:	Upon the satisfaction of certain payment conditions by Wang Qingchun as stated under the section headed "Acquisitions", the Vendor shall pay Wang Qingchun RMB7,905,000.
Obligations and warranties of the Vendor	:	Wang Qingchun shall satisfy the payment conditions as provided by Wang Qingchun.
		Any losses suffered by the Vendor as a result of a breach provided by Wang Qingchun, shall be borne by Wang Qingchun.

LETTER FROM THE BOARD

DONGYING TIANZE TRANSFER OF RIGHTS AGREEMENT

On 30 September 2021, the Purchaser entered into the Dongying Tianze Transfer of Rights Agreement with the Vendor, Shandong Landi New Energy Development Co., Ltd.* (山東藍迪新能源開發有限公司 **Shandong Landi**”), Shandong Tianrong Ruilin New Energy Co., Ltd.* (山東天融瑞麟新能源有限公司 **Shandong Tianrong Ruilin**”), Jinan Ruipu Investment Partnership Enterprise (Limited Partnership)* (濟南瑞璞投資合夥企業(有限合夥) **Jinan Ruipu Partnership**”) and Dongying Tianze, pursuant to which, the parties agree that, from the effective date of the Dongying Tianze Transfer of Rights Agreement:

- (a) the Purchaser shall enjoy all rights enjoyed by the Vendor under the Share Transfer Agreement of Dongying Tianze 25MW Fishery and Solar Power Project, the Supplementary Agreement to the Share Transfer Agreement of Dongying Tianze and the Dongjiu Tianze PV Plant Operation and Maintenance Escrow Agreement; and
- (b) Shandong Landi, Shandong Tianrong Ruilin, Jinan Ruipu Partnership and Dongying Tianze undertake that they will perform their respective obligations and warranties

Pursuant to the Share Transfer Agreement of Dongying Tianze 25MW Fi P 2 j ianze _

LETTER FROM THE BOARD

:

that the annual electricity generation of the Dongjiu Tianze Photovoltaic Power Generation Station* (東九天澤光伏電站

power station is less than 70% of the value stipulated in the electricity underwriting letter:

(a) the Vendor shall be entitled to dispose the 30% shares in Dongying Tianze pledged by Shandong

(b) the Vendor and Jinan Ruipu Partnership shall be entitled to conduct a revaluation of Dongying Tianze based on the actual electricity generated

pay immediately upon the demand of the Vendor and Jinan Ruipu Partnership the differences of the value of Dongying Tianze as determined at

Dongying Tianze as determined at the time that the Vendor and Jinan Ruipu Partnership acquired the shares of Dongying Tianze from Shandong Landi to the Vendor and Jinan Ruipu Partnership;

(c) the Vendor and Jinan Ruipu Partnership shall be the shares of Dongying Tianze at a consideration

Vendor and Jinan Ruipu Partnership, and to compensate the Vendor and Jinan Ruipu Partnership for any losses suffered.

LETTER FROM THE BOARD

and the obligations undertaken by Shandong Landi and Shandong Tianrong Ruilin” is being satisfied, Dongying Tianze’s obligations under the Huarun Financial Lease Agreement would have also been satisfied and the 30% shares in Dongying Tianze held by Shandong Landi and Shandong Tianrong Ruilin would be pledged to the Purchaser as mentioned above. The Directors are therefore of the view that the terms of the Dongying Tianze Transfer of Rights Agreement are fair and reasonable and

Pursuant to the electricity underwriting letter, the annual electricity generation of the Dongjiu Tianze Photovoltaic Power Generation Station shall be:

Year	Annual electricity generation <i>(ten thousand Watts)</i>
1st (2018)	3,625.00
2nd	3,598.54
3rd	3,572.27
4th	3,546.19
5th	3,520.30
6th	3,494.61
7th	3,469.09
8th	3,443.77
9th	3,418.63
10th	3,393.67
11th	3,368.90
12th	3,344.31
13th	3,319.89
14th	3,295.66
15th	3,271.60
16th	3,247.72
17th	3,224.01
18th	3,200.47
19th	3,177.11
20th	3,153.92
21st	3,130.89
22nd	3,108.04
23rd	3,085.35
24th	3,062.83
25th	3,040.47

The annual electricity generation of Dongjiu Tianze Photovoltaic Power Generation Station in 2018, 2019 and 2020 are 36,689,500 Watts, 35,618,200 Watts and 33,500,300 Watts respectively. As the annual electricity generation in the past three years was not less than 70% of the annual electricity generation value stipulated in the electricity underwriting letter, the Directors are of the view that the risks of annual electricity generation value being lower than 70% of the annual electricity generation

LETTER FROM THE BOARD

Pursuant to the Dongjiu Tianze PV Plant Operation and Maintenance Escrow Agreement, Shandong Tianrong Ruilin shall be responsible for the operation and maintenance of the Dongjiu Tianze Photovoltaic Power Generation Station. The principal obligations of Shandong Tianrong

Dongjiu Tianze Photovoltaic Power Generation Station; (ii) to accurately record the electricity consumption of the customers and to deliver the record promptly to Dongying Tianze; (iii) to conduct inspection, calibration and measurement work for the equipment in the Dongjiu Tianze Photovoltaic Power Generation Station; (iv) to conduct troubleshooting within 24 hours in the event of system failure; and (v) to regularly report to Dongying Tianze in relation to its operation and maintenance

the Dongjiu Tianze PV Plant Operation and Maintenance Escrow Agreement which results in losses or damages to the Dongjiu Tianze Photovoltaic Power Generation Station, it shall be liable for the

The amount of damages shall be determined based on the losses suffered by Dongying Tianze as a result of the breach of the Dongjiu Tianze PV Plant Operation and Maintenance Escrow Agreement by Shandong Tianrong Ruilin. The amount of damages first shall be negotiated between Dongying Tianze and Shandong Tianrong Ruilin. In the event that the parties are unable to reach an agreement

Shandong Tianrong Ruilin shall immediately pay such damages to Dongying Tianze. Although the Vendor is not a party to the Dongjiu Tianze PV Plant Operation and Maintenance Escrow

Dongjiu Tianze Photovoltaic Power Generation Station and one of the parties of the Share Transfer Agreement of Dongying Tianze 25MW Fishery and Solar Power Project and the Supplementary Agreement to the Share Transfer Agreement of Dongying Tianze warranting the annual electricity generation of Dongjiu Tianze Photovoltaic Power Generation Station, Dongjiu Tianze PV Plant

under the Dongying Tianze Transfer of Rights Agreement.

The signing of the Dongying Tianze Transfer of Rights Agreement is interconditional with the Dongying Tianze Acquisition.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Dongying Tianze will be owned by the Purchaser as to 86% and 68% respectively and will become

LETTER FROM THE BOARD

INFORMATION ON THE VENDOR

The Vendor is an investment holding company incorporated in the PRC with a primary

Commission of the State Council of the Shandong Province of the PRC* (山東省國有資產監督管理委員會
山東省社會保障基金理事會)

agriculture, cultural tourism (including the 2MW distributed photovoltaic power generation project

INFORMATION ON THE TARGET COMPANIES

Information on Shuifa Guangyao

100% by the Vendor.

(including the 2MW distributed photovoltaic power generation project as mentioned below).

On 3 May 2018, Shuifa Guangyao entered into an agreement with Heze Zhongxing Water Environment Co., Ltd.* (荷澤眾興水環境有限公司 **Heze Zhongxing**)
Shuifa Guangyao shall be responsible for investing and constructing a 2MW distributed photovoltaic power station on a factory land leased by Heze Zhongxing. Both parties agreed that Shuifa Guangyao

power station, whereas Heze Zhongxing shall pay to Shuifa Guangyao the fees for the power used by Heze Zhongxing. The project is solely invested and owned by Shuifa Guangyao, and is constructed at Heze No.2 Sewage Treatment Plant, Economic and Technological Development Zone, Heze City, Shandong Province, the PRC, which covers an area of 30,000m², and with an investment

construct the framework and arranges the battery components with a flexible support structure, and together with 30 sets of 60KW string inverters which are connected to the 380V side of the sewage

the electricity generated from the project will be supplied to Heze No.2 Sewage Treatment Plant for use. The project was completed and connected to the grid on 30 November 2019. From January 2020 up to September 2021, the average annual power generation of the project was 2.47 million kWh.

LETTER FROM THE BOARD

The Vendor was the sole shareholder of Shuifa Guangyao. On 30 November 2020, the board of directors of the Vendor resolved that the Vendor shall pay the subscribed registered capital by was informed by Shuifa Guangyao that the Vendor has paid the subscribed registered capital by

Financial information of Shuifa Guangyao

PRC GAAP”), the profit or loss of Shuifa Guangyao before and after taxation is as follows:

	For the six months ended 30 June 2021	For the financial year ended 31 December 2020	2019
	RMB	RMB	RMB
Net Profit/(Loss) before tax	276,902.6	423,547.4	(109.3)
Net Profit/(Loss) after tax	276,902.6	423,547.4	(109.3)

As at 30 June 2021, the audited consolidated net assets value of Shuifa Guangyao under PRC GAAP was RMB1,225,735.9.

Information on Xintaishi Zhongmu

registered capital of RMB36,000,000, which has been fully paid-up. Xintaishi Zhongmu is owned as to 86% by the Vendor and 14% by Wang Qingchun.

Save as disclosed above, to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Wang Qingchun, as at the date of the Xintaishi Zhongmu Sale

management of solar photovoltaic power generation projects (including the 20MW grid-connected

LETTER FROM THE BOARD

LETTER FROM THE BOARD

As at 30 June 2021, the audited consolidated net assets value of Xintaishi Zhongmu under PRC GAAP was RMB46,791,179.3.

Information on Dongying Tianze

Dongying Tianze is a company with limited liability established in the PRC with a total registered capital of RMB60,000,000, which has been fully paid-up. Dongying Tianze is owned as to 68% by the Vendor, 15% by Shandong Landi, 15% by Shandong Tianrong Ruilin and 2% by Jinan Ruipu Partnership. As at the date of the Dongying Tianze Sale and Purchase Agreement, Shandong Landi was ultimately owned by Cao Yugang* (曹玉剛) and Qin Pingping* (秦萍萍) 5% respectively, Shandong Tianrong Ruilin was ultimately owned by Mu Ruiling* (牟瑞玲) Cui Yunling* (崔雲玲) as to 55% and 45% respectively, and Jinan Ruipu Partnership was ultimately owned by Zheng Guozhen* (鄭國貞), Gao Yusheng* (高玉生), Miao Qing* (苗青) and Li Hong* (李紅) as to approximately 32%, 31%, 31% and 6% respectively.

Save as disclosed above, to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, Shandong Landi, Shandong Tianrong Ruilin and Jinan Ruipu Partnership, and their respective ultimate beneficial owners, as at the date of the Dongying Tianze

Dongying Tianze is principally engaged in construction and operation of photovoltaic power generation projects (including the 49MW fishery-solar complementary photovoltaic grid-connected

Dongying Tianze has invested in the 49MW fishery-solar complementary photovoltaic grid-connected power generation project. The project is solely invested and owned by Dongying Tianze, and has obtained the “Registration Record Certificate” issued by Dongying City Development and Reform Commission* (東營市發展和改革委員) in December 2015 for the construction of,

project began construction in May 2016, and completed 25MW grid-connected power generation. In view of the fact that the project only obtained the 25MW scale indicator issued in 2016 and it was difficult for the project to obtain the remaining 24MW scale indicator in the short term, at the request of State Grid Shandong Province Electric Power Company* (國網山東省電力公司), Dongying Tianze applied to change the final grid-connected capacity of the project to 25MW, and the remaining 24MW will not be built. The application was agreed by Dongying City Development and Reform Commission* (東營市發展和改革委員) on 15 May 2018. Since 1 August 2018, Dongying Tianze plant. The average annual power generation is approximately 36 million kWh.

LETTER FROM THE BOARD

The 68% equity interest in Dongying Tianze, being the subject matter of the Dongying Tianze Acquisition, was acquired by the Vendor from Shandong Landi (i.e. the then controlling shareholder of Dongying Tianze) on 29 April 2019 at a consideration of RMB12,185,600. Pursuant to the share transfer agreement between the Vendor, Shandong Landi and others in relation to the acquisition of 68% equity interest in Dongying Tianze by the Vendor, the Vendor was also required to inject RMB16,660,000 as capital contributions into Dongying Tianze on or before 10 May 2019. The Company was informed by the Vendor that this was the result of extended discussions and negotiations between the Vendor and Shandong Landi, and that the consideration and the capital the transaction. The Company was informed by Dongying Tianze that the capital contributions of RMB16,660,000 had been fully injected by the Vendor into Dongying Tianze.

Financial information of Dongying Tianze

Based on the consolidated financial statements of Dongying Tianze prepared in accordance with the PRC GAAP, the profit or loss of Dongying Tianze before and after taxation is as follows:

	For the six months ended 30 June 2021	For the financial year ended 31 December	
		2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net Profit/(Loss) before tax	3,867,980.1	5,661,574.1	6,417,255.5
Net Profit/(Loss) after tax	3,738,799.4	5,661,574.1	6,417,255.5

As at 30 June 2021, the audited consolidated net assets value of Dongying Tianze under PRC GAAP was RMB64,261,769.1.

INFORMATION ON THE PURCHASER AND THE REASONS FOR AND BENEFITS OF THE ACQUISITIONS

projects (including Building Integrated Photovoltaic (BIPV) system, roof top solar system and heat pump, solar heat collectors and solar heating system. Since the year ended 31 December 2014, enhance its cash flow position and allow the Group to reallocate its resources for future development.

LETTER FROM THE BOARD

shareholder of the Company in late November 2019 and completion of the debt restructuring scheme in December 2019, the Company has been exploring ways by which the Group can expand its clean energy business and strengthen its financial performance going forward. As stated in its 2019 annual

LETTER FROM THE BOARD

The Acquisitions are in line with the Group's strategy to strengthen its financial performance are fully operational and can generate a positive income (and profit) while the Group needs not seek

and the Target Companies are fully operational and can generate a positive income (and profit) with limited capital investment in the future, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreements, the Acquisitions and

LISTING RULES IMPLICATIONS

under Rule 14A.81 of the Listing Rules), is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisitions, if materialised, will constitute a discloseable

shareholder of the Company indirectly holding 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital in the Company. As the Vendor is directly wholly owned by Shuifa Energy, the Vendor is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Shuifa Guangyao, Xintaishi Zhongmu and Dongying Tianze are being owned as to 100%, 86% and 68% respectively by the Vendor, and therefore each an associate of the Vendor, are also

None of the Directors attended the Board meeting has a material interest in the Sale and

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Wang Ching, Mr. Yick Wing Fat, Simon and Dr. Tan Hongwei, has been established to

SGM

The SGM will be convened for the Independent Shareholders to consider, and if thought fit, to

1 December 2021 to 6 December 2021 (both days inclusive), during which period no transfer of Company on 6 December 2021 are entitled to attend and vote at the SGM. In order to be eligible to

Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 30 November 2021.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest Practicable Date, Shuifa Energy (the sole shareholder of the Vendor) and its associate (Water Development (HK) Holding Co., Limited) holds 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital of the Company. They will be required to abstain from voting on Latest Practicable Date, to the best of knowledge of the Directors, no other Shareholder would be

54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 11:00 a.m. on 4 December 2021) or any adjournment thereof (as the case may be). Completion and return

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the

The Directors (including the Independent Board Committee) consider that while the entering

a whole. Accordingly, the Directors (including the Independent Board Committee) recommend the

FURTHER INFORMATION

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

Shareholders and potential investors should note that the Completions are subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent as set out in the Sale and Purchase Agreements and the Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

China Shuifa Singyes Energy Holdings Limited
Zheng Qingtao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of incorporation in this circular.



China Shuifa Singyes Energy Holdings Limited

中國水發興業能源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 750)

19 November 2021

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITION OF THE TARGET COMPANIES

We refer to the circular of the Company dated 19 November 2021 (the “**Circular**” meanings as defined in the Circular).

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Yours faithfully,

China Shuifa Singyes Energy Holdings Limited

Dr. Wang Ching
Independent non-executive Director

Mr. Yick Wing Fat, Simon
Independent non-executive Director

Dr. Tan Hongwei
Independent non-executive Director



LETTER FROM RED SUN CAPITAL

II. THE INDEPENDENT BOARD COMMITTEE

LETTER FROM RED SUN CAPITAL

IV. BASIS OF OUR ADVICE

representations provided to us by the Group and/or the Directors and/or senior management (the **Management**

or referred to in the Circular, which have been provided by the Company, the Directors and the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed

the Directors and/or the Management and for which it is/they are solely responsible were true and

the Directors and/or the Management contained in the Circular have been reasonably made after

the Directors and/or the Management that no material facts have been omitted from the information

affairs of the Company, the Vendor, the Target Companies and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects

of Rights Agreements; (iii) the Valuation Report conducted by the Valuer commissioned by the

hereunder); and (vi) the engagement letter in relation to the Valuation (as defined hereunder) between the Company and the Valuer.

We consider that we have been provided with sufficient information and documents to enable

and/or the Directors and/or the Management and their respective advisers or to believe that material

assumptions and the appraised value may change if those basis and assumptions are modified.

LETTER FROM RED SUN CAPITAL

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

following principal factors and reasons into consideration:

1. Information of the Group

1.1 Background of the Group and the Purchaser

green building and solar projects (including Building Integrated Photovoltaic (BIPV)

collectors and solar heating system. Since the year ended 31 December 2014, the Group

to enhance its cash flow position and allow the Group to reallocate its resources for future

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1.2 Financial information of the Group

and summarised from the published annual report of the Group for the year ended 31 December 2020 (the “**2020 Annual Report**” Group for the six months ended 30 June 2021 (the “**2021 Interim Report**”):

	For the year ended 31 December		For the six months ended 30 June	
	2019 <i>RMB'000</i> <i>(audited)</i>	2020 <i>RMB'000</i> <i>(audited)</i>	2020 <i>RMB'000</i> <i>(unaudited</i> <i>and restated)</i>	2021 <i>RMB'000</i> <i>(unaudited)</i>
Revenue	3,306,519	5,400,999	2,069,847	2,330,811
— Construction contracts	2,646,045	3,705,739	1,626,584	1,926,418
— Sale of products	518,088	1,357,419	286,340	153,851
—				
consultation services	9,608	19,992	3,990	37,177
— Sale of electricity	132,778	129,140	62,816	74,763
—	—	188,709	90,117	138,602
Gross profit/(loss)	28,270	684,691	273,655	326,445
Profit/(loss) attributable to owners of the Company	(995,228)	301,418	228,023	96,458

For the six months ended 30 June 2021 compared to the six months ended 30 June 2020

Based on the 2021 Interim Report, the Group’s revenue for the six months ended 30 June 2020 and 2021 was approximately RMB2.1 billion and RMB2.3

months ended 30 June 2020 to approximately RMB1.9 billion for the six months ended 30 June 2021. Revenue generated from construction contracts accounted for approximately 82.7% of the Group’s total revenue for the six months ended 30 June 2021. The Group recorded a gross profit of approximately RMB326.4

RMB96.5 million for the six months ended 30 June 2021.

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For the year ended 31 December 2020 compared to the year ended 31 December 2019

Based on the 2020 Annual Report, the Group's revenue for the year ended 31 December 2019 and 2020 was approximately RMB3.3 billion and RMB5.4 billion, respectively, representing an increase of approximately 63.6%. Such

Group's construction contracts from approximately RMB2.6 billion for the year ended 31 December 2019 to approximately RMB3.7 billion for the year ended 31 December 2020; and (ii) the increase in revenue generated from the Group's sale of products from approximately RMB0.5 billion for the year ended 31 December 2019 to approximately RMB1.4 billion for the year ended 31 December 2020.

68.6% of the Group's total revenue for the year ended 31 December 2020. The gross profit for the year ended 31 December 2019 and 2020 was approximately RMB28.3 million and RMB684.7 million, respectively, representing an increase of approximately 23.2 times. The Group recorded a loss attributable to the owners

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With reference to the Fourteenth Five Year Plan, the PRC government will focus on

modernisation* (提升產業鏈供應鏈現代化水準
industries* (發展戰略性新興產業
development* (加快發展現代服務業
advancement* (統籌推進基礎設施建設
digitalisation* (加快數位化發展

the Fourteenth Five Year Plan.

photovoltaic power published by the National Development and Reform Commission in March 2021, the PRC government has encouraged the development of renewable energy by

2021, qualified enterprises are encouraged to participate in the photovoltaic demonstrations so

3. Information of the Target Companies

3.1 Information on Shuifa Guangyao

Guangyao is owned as to 100% by the Vendor.

power project (including the 2MW distributed photovoltaic power generation project).

LETTER FROM RED SUN CAPITAL

On 3 May 2018, Shuifa Guangyao entered into an agreement with Heze Zhongxing Water Environment Co., Ltd.* (荷澤眾興水環境有限公司 **Heze Zhongxing**

constructing a 2MW distributed photovoltaic power station on a factory land leased by Heze Zhongxing. Both parties agreed that Shuifa Guangyao shall be responsible for the

whereas Heze Zhongxing shall pay to Shuifa Guangyao the fees for the power used by Heze Zhongxing. The project is solely invested and owned by Shuifa Guangyao, and is constructed at Heze No.2 Sewage Treatment Plant, Economic and Technological Development Zone, Heze City, Shandong Province, the PRC, which covers an area of 30,000 m²

the battery components with a flexible support structure, and together with 30 sets of 60KW string inverters which are connected to the 380V side of the sewage treatment

grid” mode, hence the electricity generated from the project will be supplied to Heze No.2 Sewage Treatment Plant for use. The project was completed and connected to the grid on 30 November 2019. From January 2020 up to September 2021, the average annual power generation of the project was 2.47 million kWh.

The Vendor was the sole shareholder of Shuifa Guangyao. On 30 November 2020, the board of directors of the Vendor resolved that the Vendor shall pay the

Vendor has paid the subscribed registered capital by converting the RMB1,000,000 debt

PRC GAAP

the profit or loss of Shuifa Guangyao before and after taxation is as follows:

	For the six months ended 30 June 2021 <i>(audited)</i> RMB	For the financial year ended 31 December	
		2020 <i>(audited)</i> RMB	2019 <i>(audited)</i> RMB
Net profit/(loss) before tax	276,902.6	423,547.4	(109.3)
Net profit/(loss) after tax	276,902.6	423,547.4	(109.3)

As at 30 June 2021, the audited consolidated net assets value of Shuifa Guangyao under PRC GAAP was RMB1,225,735.9.

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3.2 *Information on Xintaishi Zhongmu*

with a total registered capital of RMB36,000,000, which has been fully paid-up. Xintaishi Zhongmu is owned as to 86% by the Vendor and 14% by Wang Qingchun* (王慶春)

information and belief of the Directors having made all reasonable enquiries, Wang Qingchun, as at the date of the Xintaishi Zhongmu Sale and Purchase Agreement, is a

the 20MW grid-connected photovoltaic power generation project).

and mainly devotes its efforts to the investment and development of photovoltaic power generation projects, focusing on the development of environmental friendly and efficient photovoltaic industry, and strives to promote the construction of ecological civilization. Xintaishi Zhongmu has invested in the 20MW grid-connected photovoltaic power

is located in the southwest of Shilai Town, Xintai City, the PRC, the east of Liuzhiyuan Village and between Xishilai Third Village and Xishilai Fourth Village, covering an area of approximately 615.3 mu. The project adopts a block power generation and centralised grid connection scheme, dividing the system into 20 grid-connected photovoltaic power generation units with a capacity of 1MW, which are connected to a 35kV wire via inverters and 35kV step-up transformers and subsequently converged to a 35kV switching station in the photovoltaic power station, and finally connected to 35kV Nanmu wire (Nanliuquan 220kV substation to Muchangyu 35kV substation) via a 35kV line "T", and connected to the Shandong power grid with the 35kV voltage level. As at

of Xintaishi Zhongmu's photovoltaic power plant is 20MW, and the average annual power generation is approximately 27 million kWh.

85% equity interest of Xintaishi Zhongmu was acquired by the Vendor from Shuifa Energy (i.e. the then controlling shareholder of Xintaishi Zhongmu) on 7 November 2018 at a consideration of RMB18,445,000. The Company was informed by the Vendor that this was the result of extended discussions and negotiations between the Vendor and Shuifa Energy. The Company was also informed by the Vendor that the

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Further, pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW interest of Xintaishi Zhongmu shall be transferred by Wang Qingchun to Shuifa Energy Zhongmu by the Vendor from Shuifa Energy, all of Shuifa Energy's rights under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project was succeeded by the Vendor. On 21 July 2021, 1% equity interest of Xintaishi Zhongmu was transferred by Wang Qingchun to the Vendor without consideration.

in accordance with the PRC GAAP, the profit or loss of Xintaishi Zhongmu before and after taxation is as follows:

	For the six months ended 30 June 2021 (audited) RMB	For the financial year ended 31 December 2020 (audited) 2019 (audited) RMB RMB	
Net profit/(loss) before tax	3,160,594.3	6,477,253.0	7,610,641.0
Net profit/(loss) after tax	2,988,961.0	5,646,573.0	7,200,622.7

As at 30 June 2021, the audited consolidated net assets value of Xintaishi Zhongmu under PRC GAAP was RMB46,791,179.3.

3.3 Information on Dongying Tianze

Dongying Tianze is a company with limited liability established in the PRC with a total registered capital of RMB60,000,000, which has been fully paid-up. Dongying Tianze is owned as to 68% by the Vendor, 15% by Shandong Landi, 15% by Shandong Tianrong Ruilin and 2% by Jinan Ruipu Partnership. As at the date of the Dongying Tianze Sale and Purchase Agreement, Shandong Landi was ultimately owned by Cao Yugang* (曹玉剛) and Qin Pingping* (秦萍萍). Shandong Tianrong Ruilin was ultimately owned by Mu Ruiling* (牟瑞玲), Yunling* (崔雲玲) as to 55% and 45%, respectively, and Jinan Ruipu Partnership was ultimately owned by Zheng Guozhen* (鄭國貞), Gao Yusheng* (高玉生), Miao Qing* (苗青) and Li Hong* (李紅) as to approximately 32%, 31%, 31% and 6%, respectively.

Directors having made all reasonable enquiries, Shandong Landi, Shandong Tianrong Ruilin and Jinan Ruipu Partnership, and their respective ultimate beneficial owners, as at the date of the Dongying Tianze Sale and Purchase Agreement, are third parties

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Dongying Tianze is principally engaged in construction and operation

Dongying Tianze has invested in the 49MW fishery-solar complementary and owned by Dongying Tianze, and has obtained the “Registration Record Certificate” issued by Dongying City Development and Reform Commission* (東營市發展和改革委員) in December 2015 for the construction of, including but not limited to, the 49MW

construction in May 2016, and completed 25MW grid-connected power generation. In view of the fact that the project only obtained the 25MW scale indicator issued in 2016 and it was difficult for the project to obtain the remaining 24MW scale indicator in the short term, at the request of State Grid Shandong Province Electric Power Company* (國網山東省電力公司), Dongying Tianze applied to change the final grid-connected capacity of the project to 25MW, and the remaining 24MW will not be built. The application was agreed by Dongying City Development and Reform Commission* (東營市發展和改革委員) on 15 May 2018. Since 1 August 2018, Dongying Tianze has power plant. The average annual power generation is approximately 36 million kWh.

The 68% equity interest in Dongying Tianze, being the subject matter of the Dongying Tianze Acquisition, was acquired by the Vendor from Shandong Landi (i.e. the then controlling shareholder of Dongying Tianze) on 29 April 2019 at a consideration of RMB12,185,600. Pursuant to the share transfer agreement between the Vendor,

Dongying Tianze by the Vendor, the Vendor was also required to inject RMB16,660,000 as capital contributions into Dongying Tianze on or before 10 May 2019. The Company was informed by the Vendor that this was the result of extended discussions and negotiations between the Vendor and Shandong Landi, and that the consideration and

situation at the time of the transaction. The Company was informed by Dongying Tianze that the capital contributions of RMB16,660,000 had been fully injected by the Vendor into Dongying Tianze.

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Based on the consolidated financial statements of Dongying Tianze prepared in accordance with the PRC GAAP, the profit or loss of Dongying Tianze before and after taxation is as follows:

	For the six months ended 30 June 2021 <i>(audited)</i> RMB	For the financial year ended 31 December	
		2020 <i>(audited)</i> RMB	2019 <i>(audited)</i> RMB
Net profit/(loss) before tax	3,867,980.1	5,661,574.1	6,417,255.5
Net profit/(loss) after tax	3,738,799.4	5,661,574.1	6,417,255.5

As at 30 June 2021, the audited consolidated net assets value of Dongying Tianze under PRC GAAP was RMB64,261,769.1.

4. Reasons for and benefits of the Acquisitions

November 2019 and completion of the debt restructuring scheme in December 2019, the and strengthen its financial performance going forward. As stated in its 2019 annual report, the

accounting for approximately 7.8% of the Group's revenue (including tariff adjustment) and approximately 23.0% of the Group's gross profit (including tariff adjustment) for the period ended 30 June 2021. Details of the Group's self-invested solar power stations as at 30 June 2021 are set out in the section headed "Information on the Purchaser and the reasons for and benefits of the Acquisitions" in the Letter from the Board.

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Target Companies are fully operational and can generate a positive income (and profit) while

and Dongying Tianze Acquisition, respectively, we concur with the Directors that the terms

ended 31 December 2020; and (ii) the Acquisitions are in line with the Group's stated strategy to grow into an enterprise with a focus on clean energy business, we concur with the Directors

5. Principal terms of the Sale and Purchase Agreements

5.1 Shuifa Guangyao Sale and Purchase Agreement

i. Date

30 September 2021

LETTER FROM RED SUN CAPITAL

ii. Parties

- (a) Hunan Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司)
- (b) Shandong Shuifa Clean Energy Technology Co., Ltd. * (山東水發清潔能源科技有限公司) as the Vendor; and
- (c) Heze Kaifaqu Shuifa Guangyao New Energy Co., Ltd.* (荷澤開發區水發光耀新能源有限公司)

As at the date of the Shuifa Guangyao Sale and Purchase Agreement, the Vendor is a (therefore a connected person) of the Company indirectly holding approximately 66.92% of the issued share capital of the Company. Shuifa Guangyao, being owned as to 100% by the Vendor and therefore an associate of the Vendor, is also a connected person of the Company.

iii. Subject Matter

Vendor.

iv. Consideration

The consideration payable by the Purchaser to the Vendor for the Shuifa Guangyao Acquisition is RMB3.16 million (equivalent to approximately HK\$3.79 million), which shall be payable by the Purchaser to the Vendor by cash or by wire transfer in two instalments as follows:

Instalment	Amount (RMB)	Due date
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Letter from the Board) are being satisfied.

2	1,264,000	
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after arm's length negotiation between the Purchaser and the Vendor by reference

approximately RMB9.0 million by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

Jiangsu Financial, the equity interests in Shuifa Guangyao is clearao ò

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vi. *Completion*

Details of completion of the Shuifa Guangyao Acquisition are set out in

vii. *Consideration Adjustment*

The transition period shall start from 30 April 2021 and end on the Shuifa Guangyao Completion Date, and the Vendor shall ensure that the shareholders'

Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent

equity has been reduced due to the Vendor's breach of its undertakings during reduction of consideration shall follow the following formula: the amount of paid by the Purchaser has exceeded the reduced consideration, the Vendor shall from any subsequent payment to be made by the Purchaser to the Vendor. If the

Details of the Vendor's undertakings during the transition period are set

As at 30 April 2021, the audited shareholders' equity in Shuifa Guangyao material changes in the financial information of Shuifa Guangyao after 30 April 2021 which may affect the consideration.

viii. *Special Agreement and Undertakings*

formalities, the Vendor shall be liable for such losses suffered by

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- (b) Vendor warrants that Shuifa Guangyao and Jiangsu Financial have signed the Jiangsu Financial Lease Agreement with a total rental amount of RMB7,088,700.00, and upon the signing of the Shuifa

and timely paid the rent to Jiangsu Financial in accordance with the Jiangsu Financial Lease Agreement, and there was no breach of the Jiangsu Financial Lease Agreement. As at 30 April 2021, Jiangsu Financial, and Shuifa Guangyao shall continue to perform its obligations under the Jiangsu Financial Lease Agreement after the
- (c) The Vendor shall be liable for any losses suffered by Shuifa prior to the Shuifa Guangyao Completion Date, including but not
- (d) The Vendor shall be liable for any costs incurred by Shuifa

As at the Latest Practicable Date, the Company does not foresee any

under the Jiangsu Financial Lease Agreement after 30 April 2021 would not have any material effects on the financial information of Shuifa Guangyao which may affect the consideration for the Shuifa Guangyao Acquisition.

5.2 *Xintaishi Zhongmu Sale and Purchase Agreement*

i. Date

30 September 2021

ii. Parties

- (a) Hunan Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司)
- (b) Shandong Shuifa Clean Energy Technology Co., Ltd.* (山東水發清潔能源科技有限公司) as the Vendor; and

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- (c) Xintaishi Zhongmu New Energy Technology Co., Ltd.* (新泰市中
穆新能源科技有限公司)

the Vendor is a directly wholly owned subsidiary of Shuifa Energy, which is indirectly holding approximately 66.92% of the issued share capital of the Company. Xintaishi Zhongmu, being owned as to 86% by the Vendor and therefore an associate of the Vendor, is also a connected person of the Company.

iii. Subject Matter

by the Vendor.

iv. Consideration

The consideration payable by the Purchaser to the Vendor for the Xintaishi Zhongmu Acquisition is RMB49.02 million (equivalent to approximately HK\$58.82 million), which shall be payable by the Purchaser to the Vendor by cash or by wire transfer as follows:

Instalment	Amount (RMB)	Due date
	29,412,000	being satisfied.
2	7,905,000	Agreement of Xintai Zhongmu 20MW Qingchun* (王慶春) RMB7,905,000 payable by the Vendor to Wang Qingchun is outstanding.

by Wang Qingchun, the Purchaser shall pay RMB7,905,000 to Wang Qingchun

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3 11,703,000

Details of the payment conditions to be satisfied by Wang Qingchun pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic

satisfied as the certification of the safety evaluation report has not yet been obtained.

The Vendor and Wang Qingchun has facilitated Xintaishi Zhongmu in 20MW grid-connected photovoltaic power generation project and to issue the corresponding safety evaluation report. As at the Latest Practicable Date, the

approval procedures and other relevant procedures for the 20MW grid-connected

20MW grid-connected photovoltaic power generation project, is less than 10%

Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, Wang Qingchun shall be liable for any additional costs incurred for satisfying item (e) as stated in the payment conditions. We concur with the Directors' view that the

been satisfied by Wang Qingchun.

It is expected that the payment of RMB7,905,000 to Wang Qingchun by the Purchaser will be around June 2022 as Xintaishi Zhongmu expects that the outstanding certification of the safety evaluation report of the 20MW grid-connected photovoltaic power generation project will be completed around June 2022.

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days after all the Xintaishi Zhongmu CPs are satisfied, the Vendor has agreed by the Purchaser to Vendor and/or Wang Qingchun, to the Purchaser within two such, we concur with the Directors' view that the risk of unsuccessful registration

after arm's length negotiation between the Purchaser and the Vendor by reference to, among others, the historical financial performance of Xintaishi Zhongmu and

at approximately RMB136.0 million by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

Acquisitions" set out in the Letter from the Board, the Directors are of the view

v. *Conditions Precedent*

Details of the conditions precedent under the Xintaishi Zhongmu Sale

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vi. *Completion*

Details of completion of the Xintaishi Zhongmu Acquisition are set out in

vii. *Consideration Adjustment*

The transition period shall start from 30 April 2021 and end on the Xintaishi Zhongmu Completion Date, and the Vendor shall ensure that the shareholders'

Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent

equity has been reduced due to the Vendor's breach of its undertakings during the

of consideration shall follow the following formula: the amount of reduction

Purchaser has exceeded the reduced consideration, the Vendor shall return the

subsequent payment to be made by the Purchaser to the Vendor. If the amount

Details of the Vendor's undertakings during the transition period are set

As at 30 April 2021, the audited shareholders' equity in Xintaishi Zhongmu under PRC GAAP was RMB44,121,165.25. The Company is not aware of any material changes in the financial information of Xintaishi Zhongmu after 30 April 2021 which may affect the consideration.

viii. *Special Agreement and Undertakings*

formalities, the Vendor shall be liable for such losses suffered by

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(b) The Vendor shall be liable for any losses suffered by Xintaishi prior to the Xintaishi Zhongmu Completion Date, including but not

(c) The Vendor shall be liable for any costs incurred by Xintaishi Zhongmu before the Xintaishi Zhongmu Completion Date for the

Zhongmu Completion Date, the Vendor shall be liable for any adverse

thereby affecting the production and operation of Xintaishi Zhongmu, the Vendor shall be liable for all such losses suffered by Xintaishi

the law, the Vendor shall be liable for any losses suffered by Xintaishi

land, the Vendor shall be liable for any losses suffered by Xintaishi

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Ronghe Financial Lease Agreement 2017, with a total rental amount of RMB48,946,251.37, in accordance with the law. Upon the

Ronghe Financial Lease Agreement 2017. As at 30 April 2021, Xintaishi Zhongmu was still required to pay RMB39,850,005.41 to obligations under the Cpi Ronghe Financial Lease Agreement 2017

Ronghe Financial Lease Agreement 2016, with a total rental amount of RMB121,496,613.90, in accordance with the law. Upon the

Ronghe Financial Lease Agreement 2016. As at 30 April 2021, Xintaishi Zhongmu was still required to pay RMB76,265,472.36 to obligations under the Cpi Ronghe Financial Lease Agreement 2016

As at the Latest Practicable Date, the Company does not foresee any

Lease Agreement 2016 and Cpi Ronghe Financial Lease Agreement 2017.

rent under the Cpi Ronghe Financial Lease Agreement 2016 and Cpi Ronghe Financial Lease Agreement 2017 after 30 April 2021 would not have any material

Save for the certification of the safety evaluation report as mentioned above,

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ix. Xintaishi Zhongmu Transfer of Rights Agreement

On 30 September 2021, the Purchaser entered into the Xintaishi Zhongmu Transfer of Rights Agreement with the Vendor, Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu, pursuant to which, the parties agree that:

- (a) Wang Qingchun fully agrees and has no objection to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project and the succession by the Vendor to all of Shuifa Energy's rights in the Share Transfer Agreement of Xintai Zhongmu 20MW
- (b) From the effective date of the Xintaishi Zhongmu Transfer of Rights Agreement, the Purchaser shall enjoy all rights enjoyed by the Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW
- (c) Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu undertake
- (d) In satisfying one of the payment conditions by Wang Qingchun as

the Board, Wang Qingchun has pledged its 15% shares in Xintaishi Zhongmu to Shuifa Energy on 27 December 2017. As stated under

from the Board, on 21 July 2021, 1% equity interest of Xintaishi Zhongmu was transferred by Wang Qingchun to the Vendor without

Latest Practicable Date, 14% equity interest of Xintaishi Zhongmu held by Wang Qingchun was charged to Shuifa Energy. As the Vendor

Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project

Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project (item (b) above), if the Purchaser subsequently gives written notice to Wang Qingchun and requests

Zhongmu 20MW Photovoltaic Power Project, Wang Qingchun shall,

of Shuifa Energy's agreement to cooperate in the release procedure:

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- (e) From the effective date of the Xintaishi Zhongmu Transfer of Rights Agreement, the Purchaser shall assume all obligations of the Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW

conditions are being satisfied by Wang Qingchun, the Purchaser shall pay RMB7,905,000 to Wang Qingchun directly and RMB7,905,000

Details of the rights and obligations of the Vendor, pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, to be Qingchun in favour of the Vendor to be succeeded by the Purchaser are set out

5.3 Dongying Tianze Sale and Purchase Agreement

i. Date

30 September 2021

ii. Parties

- (a) Hunan Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司)
- (b) Shandong Shuifa Clean Energy Technology Co., Ltd.* (山東水發清潔能源科技有限公司) as the Vendor; and
- (c) Dongying Tianze New Energy Technology Co., Ltd.* (東營天澤新能源科技有限公司)

As at the date of the Dongying Tianze Sale and Purchase Agreement, the Vendor is a directly wholly owned subsidiary of Shuifa Energy, which is indirectly holding approximately 66.92% of the issued share capital of the Company. Dongying Tianze, being owned as to 68% by the Vendor and therefore an associate of the Vendor, is also a connected person of the Company.

iii. Subject Matter

The subject matter of the sale and purchase under the Dongying Tianze Sale and Purchase Agreement is 68% equity interest in Dongying Tianze held by the Vendor.

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iv. *Consideration*

The consideration payable by the Purchaser to the Vendor for the Dongying Tianze Acquisition is RMB51.00 million (equivalent to approximately HK\$61.20 million), which shall be payable by the Purchaser to the Vendor by cash or by wire transfer in two instalments as follows:

Instalment	Amount (RMB)	Due date
	30,600,000	Upon all the Dongying Tianze CPs (as being satisfied.
2	20,400,000	

The consideration for the Dongying Tianze Acquisition was determined after arm's length negotiation between the Purchaser and the Vendor by reference to, among others, the historical financial performance of Dongying Tianze and the assets and liabilities of Dongying Tianze. In addition, the Purchaser also took into account the valuation of the 68% equity interest in Dongying Tianze at approximately RMB92.0 million by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

Huarun Lease, the equity interests in Dongying Tianze is clear, legal and valid and there is no dispute or controversy in relation to the equity interests in Dongying Tianze and Shuifa Group has completed its internal approval procedures in relation to the Dongying Tianze Acquisition. Further, in the event that the

days after all the Dongying Tianze CPs are satisfied, the Vendor has agreed to refund Instalment 1 of the consideration, being RMB30,600,000, to the Purchaser within two business days thereafter and the Dongying Tianze Sale and Purchase Agreement and the Dongying Tianze Transfer of Rights Agreement shall be lapsed. As such, we concur with the Directors' view that the risk of unsuccessful

terms of the Dongying Tianze Acquisition are fair and reasonable and in the

LETTER FROM RED SUN CAPITAL

Taking into account that (i) the consideration payable for the Dongying Tianze Acquisition is lower than the valuation of the 68% equity interest in Dongying Tianze; (ii) the potential value of the power generation project solely invested and owned by Dongying Tianze as disclosed under the section headed “Information on Dongying Tianze” set out in the Letter from the Board; and

Acquisitions” set out in the Letter from the Board, the Directors are of the view that the consideration payable for the Dongying Tianze Acquisition is fair and

v. *Conditions Precedent*

Details of the conditions precedent under the Dongying Tianze Sale and Dongying Tianze Sale and Purchase Agreement” in the Letter from the Board.

vi. *Completion*

Details of completion of the Dongying Tianze Acquisition are set out in the section headed “The Acquisitions — Dongying Tianze Sale and Purchase

vii. *Consideration Adjustment*

The transition period shall start from 30 April 2021 and end on the Dongying Tianze Completion Date, and the Vendor shall ensure that the shareholders’ equity in Dongying Tianze shall not be reduced during the transition period. Within one month from the date of signing of the Dongying Tianze Sale and Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent audit on the transition period of Dongying Tianze by the audit, the shareholders’ equity has been reduced due to the Vendor’s breach of accordingly. The reduction of consideration shall follow the following formula: amount paid by the Purchaser has exceeded the reduced consideration, the Vendor directly from any subsequent payment to be made by the Purchaser to the Vendor. shall belong to Dongying Tianze and the consideration will not be adjusted.

LETTER FROM RED SUN CAPITAL

Details of the Vendor's undertakings during the transition period are set out in section headed "The Acquisitions — Dongying Tianze Sale and Purchase

As at 30 April 2021, the audited shareholders' equity in Dongying Tianze under PRC GAAP was RMB62,725,763.64. The Company is not aware of any material changes in the financial information of Dongying Tianze after 30 April 2021 which may affect the consideration.

viii. Special Agreement and Undertakings

(a) The Vendor shall be liable for any losses suffered by Dongying Tianze arising from or resulting from acts or facts already existing prior to the Dongying Tianze Completion Date, including but not

(b) The Vendor shall be liable for any losses and damages suffered by Dongying Tianze before 30 April 2021, arising from the performance

(c) The Vendor warrants that after the Purchaser becomes the shareholder of Dongying Tianze, any disputes, losses and compensation arising

Dongying Tianze before the Dongying Tianze Completion Date, shall be properly handled by the Vendor. Any losses caused to Dongying Tianze or the Purchaser as a result of such, shall be fully borne by the Vendor.

(d) Vendor warrants that Dongying Tianze and Huarun Lease have signed

of RMB214,317,447.80 and upon the signing of the Dongying Tianze Sale and Purchase Agreement, Dongying Tianze has duly and

Financial Lease Agreement. As at 30 April 2021, Dongying Tianze was still required to pay RMB188,967,547.80 to Huarun Lease, and Dongying Tianze shall continue to perform its obligations under the Huarun Financial Lease Agreement after the Dongying Tianze

LETTER FROM RED SUN CAPITAL

As at the Latest Practicable Date, the Company does not foresee any potential penalties or losses to Dongying Tianze or any adverse impact to the operations of Dongying Tianze due to matters set out in (a) to (d) above.

under the Huarun Financial Lease Agreement after 30 April 2021 would not have any material effects on the financial information of Dongying Tianze which may affect the consideration for the Dongying Tianze Acquisition.

construction and business operation of the project under the Dongying Tianze

ix. Dongying Tianze Transfer of Rights Agreement

On 30 September 2021, the Purchaser entered into the Dongying Tianze Transfer of Rights Agreement with the Vendor, Shandong Landi New Energy Development Co., Ltd.* (山東藍迪新能源開發有限公司 **Shandong Landi** Shandong Tianrong Ruilin New Energy Co., Ltd.* (山東天融瑞麟新能源有限公司 **Shandong Tianrong Ruilin**”), Jinan Ruipu Investment Partnership Enterprise (Limited Partnership)* (濟南瑞璞投資合夥企業 有限合夥 **Jinan Ruipu Partnership**) and Dongying Tianze, pursuant to which, the parties agree that, from the effective date of the Dongying Tianze Transfer of Rights Agreement:

- (a) the Purchaser shall enjoy all rights enjoyed by the Vendor under the Share Transfer Agreement of Dongying Tianze 25MW Fishery and Transfer Agreement of Dongying Tianze and the Dongjiu Tianze PV
- (b) Shandong Landi, Shandong Tianrong Ruilin, Jinan Ruipu Partnership and Dongying Tianze undertake that they will perform their

Details of the rights and obligations of the Vendor, pursuant to the Share Transfer Agreement of Dongying Tianze 25MW Fishery and Solar Power Project and the Supplementary Agreement to the Share Transfer Agreement of Dongying Tianze, to be borne by the Purchaser and the obligations and/or warranties

the Vendor to be succeeded by the Purchaser are set out in the section headed “Dongying Tianze Transfer of Rights Agreement” in the Letter from the Board.

LETTER FROM RED SUN CAPITAL

6. Assessment of the consideration

we have obtained and reviewed the Valuation Report prepared by the Valuer. We have also reviewed and enquired with the Valuer (i) qualification and experience of the Valuer in relation to the preparation of the Valuation Report; (ii) the key assumptions; and (iii) valuation procedures conducted by the Valuer for conducting the valuation. Furthermore, we have reviewed the terms of engagement of the Valuer and noted that the scope of work is appropriate to the valuation. The Valuer has also confirmed its independence.

determined after arm's length negotiation between the Purchaser and the Vendor by reference to, among other things, the respective historical financial performance of the Target Companies

LETTER FROM RED SUN CAPITAL

Selection of valuation comparable companies

The Valuer identified an exhaustive list, on a best effort basis, of four listed **Comparable Companies** the major operating segment is in the PRC; (iii) there are sufficient listing and operating with the Valuer regarding such selection criteria and assessed the appropriateness of and management of solar photovoltaic power generation projects; (iii) Dongying Tianze Valuation Report, and we have independently performed a search on the Comparable business for their respective latest full financial years according to their annual reports, we concur with the Valuer the selection of the Comparable Companies which each Valuation Report for details in relation to the Comparable Companies.

Choice of valuation multiples

In determining the appropriate valuation multiples for the Valuation, the Valuer **EV/EBIT Multiple** by the Valuer, after taking into account, among others, (i) the operations of the Target Comparable Companies have vastly different capital structures, the EV/EBIT Multiple

LETTER FROM RED SUN CAPITAL

Control premium

Company; and (ii) Xintaishi Zhongmu and Dongying Tianze will become non wholly-owned subsidiaries of the Company upon Completions, the Valuer considered that a premium to reflect the power of a control should be adopted in the Valuation. In this regard, a control premium of 21.0% has been adopted to reflect the higher marketability

Control Premium Study (1st Quarter 2021) (the “**Control Premium Study**

obtained from the Valuer the list of transactions in the Control Premium Study and noted that (i) there are a total of 122 transactions of which 31 U.S. transactions and

Valuation to minimize the effect of extreme data. Given that the Control Premium

determining the control premium, we concur with the view of the Valuer that the control premium of 21.0% as set out in the Control Premium Study is a valid reference for

21.0% applied to the Valuation is fair and reasonable.

despatch of the circulars cover the period from 1 April 2021 and up to 30 September 2021, being the date of the Sale and Purchase Agreements (representing a six-month

the control premium of 21.0% adopted fall within the range of the control premium

LETTER FROM RED SUN CAPITAL

Marketability discount

the Valuer applied a marketability discount (the “**MD**” the Target Companies based on their analysis and market median. The MD is determined by the Valuer with reference to the research result as published in “Stout Restricted Stock Study 2021” (the “**Stout Study**

public companies. We have discussed with the Valuer and reviewed an extract of the Stout Study. Furthermore, according to the Stout Study, the MD is the median marketability discount of 762 private placement transactions of unregistered common stock issued by publicly traded companies from January 1980 through April 2021. Given

the valuation professional in determining MD, we concur with the view of the Valuer that the MD of 15.8% as set out in the Stout Study is a valid reference for determining the MD for the Target Companies and the MD of 15.8% applied to the Valuation is fair

valuation reports prepared by independent valuer; (iii) the MD is adopted at arriving

of the circulars cover the period from 1 April 2021 and up to 30 September 2021, being

market practice), we noted that (i) four out of six MD adopted at arriving the valuation

reference to the Stout Study; and (ii) the MD of 15.8% fall within the range of the MD adopted at arriving the valuation of equity interest of the respective companies in

LETTER FROM RED SUN CAPITAL

Valuation

Based on the consideration for (i) the Shuifa Guangyao Acquisition of RMB3.16 million; (ii) the Xintaishi Zhongmu Acquisition of RMB49.02 million; and (iii) the Dongying Tianze Acquisition of RMB51.0 million, it represents a discount of approximately 71.3%, 72.0% and 56.8% to the respective market value appraised by the Valuer.

details of which are set out under the paragraph headed “Valuat _ i)

LETTER FROM RED SUN CAPITAL

VI. OPINION AND RECOMMENDATION

(ii) the information and analysis as set out under the section headed “2. Overview of the

(iii) the reasons and the benefits of the Acquisition as set out in “4. Reasons for and benefits

of the respective Target Companies based on the Valuation Report,

Yours faithfully,

Red Sun Capital Limited

Jimmy Chung

Managing Director

Mr. Jimmy Chung is a Responsible Officer of Red Sun Capital to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as sponsor. He has over 20 years of experience in corporate finance industry in Greater China.

** For identification purposes only*

The following is extracted from the report prepared for the purpose of incorporation in this circular by Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 April 2021.

1. PURPOSE OF VALUATION

Roma Appraisals

2. SCOPE OF WORK

4. BASIS OF VALUATION

Our valuation is conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2020, **market value** defined as “the estimated amount for which an asset or liability should exchange on the valuation date

5. INVESTIGATION

other relevant information of the Target Companies. We have also consulted other sources of financial accuracy and representation of operational, financial and other pertinent data and information of the

following:

- The financial information of the Target Companies;

6. VALUATION METHODOLOGY

6.4 Business Valuation

comparable companies were selected and adopted. Details of the exhaustive list of the as follows:

Company Name	Stock Code	Listing Location	Business Description
---------------------	-------------------	-------------------------	-----------------------------

3868.HK

as well as offers photovoltaic

Company Name	Stock Code	Listing Location	Business Description
Jinko Power	601778.CH		Jinko Power Technology finances, owns, and operates company offers solar power offers photovoltaic power plant

Source: Bloomberg

The EV/EBIT multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	EV/EBIT Multiple
Xinyi Energy Holdings Ltd.	3868.HK	21.70
Jinko Power Technology Co., Ltd.	601778.CH	19.27
CECEP Solar Energy Co., Ltd.	000591.CH	17.77
Median		18.52

Source: Bloomberg

The EV/EBIT multiple adopted was the median of the EV/EBIT multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. We obtained the estimated market values of the Target Companies as at 30 April 2021 by applying the median EV/EBIT multiple to the estimated trailing 12 months earnings before interest and EBIT”) of RMB732,554, RMB14,897,760 and RMB15,838,474 for Shuifa Guangyao, Xintaishi Zhongmu and Dongying Tianze respectively. The market value of the Target

The estimated trailing 12 months EBIT for Shuifa Guangyao, Xintaishi Zhongmu and Dongying Tianza was based on the management accounts of Shuifa Guangyao, Xintaishi Zhongmu and Dongying Tianza for the four months ended 30 April 2021 and the unaudited financial statements of Shuifa Guangyao, Xintaishi Zhongmu and Dongying Tianza for the year ended 31 December 2020. The calculation basis was derived by summing the EBIT for the period from 1 January 2021 to 30 April 2021 and the estimated eight months EBIT for the period from 1 May 2020 to 31 December 2020 calculated by pro-rata basis on the annual EBIT for the fiscal year 2020. We understood that the business operation of the Target Companies did not have any significant seasonality after the discussion with the Management, the estimation basis was therefore considered to be reasonable in reflecting the trailing 12 months EBIT for

6.5 Marketability Discount and Control Premium

The marketability discount was the percentage difference between the private placement

Research”) published in “Stout Restricted Stock Study 2021”

financial advisory services to private and public companies.

According to the Research, a total of 762 private placement transactions of unregistered common stock issued by publicly traded companies from January 1980 through April 2021

discount for the 762 transactions of 15.80% in arriving at the market values of the Target Companies as at the Date of Valuation. The median marketability discount was adopted to minimize effect of extreme data. This median figure was concluded in the Research and we

21.00% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (1st Quarter 2021) (the “**Study**

The median control premium was adopted to minimize effect of extreme data. The Study examined 122 transactions (comprising 31 U.S. transactions and 91 international transactions). The control premium was the percentage difference between the purchase price per share and the market trading price per share unaffected by the acquisition announcement.

6.6 Calculation Details

EV/EBIT multiple were illustrated as follows:

Shuifa Guangyao

	<i>RMB</i>
Estimated trailing 12 months EBIT	732,554
Multiplied by: Median EV/EBIT Multiple	18.52
Market Value of the Target Companies before	
Discount, Net Cash/(Debt) and Non-operating Assets/(Liabilities)	13,566,144
Adjusted for Control Premium	(1 + 21.00%)
Add: Net Cash/(Debt)	(3,722,182)
Add: Non-operating Assets/(Liabilities)	0
Adjusted for Marketability Discount	(1 – 15.80%)
Market Value of 100% Equity Interests	10,687,382
Market Value of 100% Equity Interests (Rounded)	11,000,000

Note: Total figures may not sum up due to rounding.

Xintaishi Zhongmu

	<i>RMB</i>
Estimated trailing 12 months EBIT	14,897,760
Multiplied by: Median EV/EBIT Multiple	18.52
Market Value of the Target Companies before	
Discount, Net Cash/(Debt) and Non-operating Assets/(Liabilities)	275,891,157
Adjusted for Control Premium	(1 + 21.00%)
Add: Net Cash/(Debt)	(91,634,939)
Add: Non-operating Assets/(Liabilities)	0
Adjusted for Marketability Discount	(1 – 15.80%)
Market Value of 100% Equity Interests	203,926,810
Market Value of 86% Equity Interests	175,377,056
Market Value of 86% Equity Interests (Rounded)	175,000,000

Note: Total figures may not sum up due to rounding.

Dongying Tianze*RMB*

Estimated trailing 12 months EBIT	15,838,474
Multiplied by: Median EV/EBIT Multiple	18.52
Market Value of the Target Companies before	
Discount, Net Cash/(Debt) and Non-operating Assets/(Liabilities)	293,312,211
Adjusted for Control Premium	(1 + 21.00%)
Add: Net Cash/(Debt)	(148,003,512)
Add: Non-operating Assets/(Liabilities)	0
Adjusted for Marketability Discount	(1 – 15.80%)
Market Value of 100% Equity Interests	174,213,390
Market Value of 68% Equity Interests	118,465,105
Market Value of 68% Equity Interests (Rounded)	118,000,000

Note: Total figures may not sum up due to rounding.

7. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in this valuation and they are:

- The unaudited financial statements of the Target Companies for the year ended 31 December 2020 and the four months ended 30 April 2021 can reasonably represent its financial positions since audited financial statements as at the Date of Valuation were not

Target Companies was calculated with reference to the unaudited financial statements of the Target Companies for the year ended 31 December 2020 and the four months ended 30 April 2021 as provided by the Management;

- All relevant legal approvals and business certificates or licenses to operate the business would be officially obtained and renewable upon expiry;

personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the political, legal, economic or financial conditions in

Companies will not differ materially from those presently prevailing.

8. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Companies. The factors considered included, but not limited to, the followings:

- Unaudited financial statements of the Target Companies for the year ended 31 December 2020 and the four months ended 30 April 2021;

9. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events

company background, business nature and financial information of the Target Companies provided to

and financial information that have not been provided to us are accepted.

Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part

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10. REMARKS

11. OPINION OF VALUE

interests in Xintaishi Zhongmu and 68% equity interests in Dongying Tianze as at the Date of Valuation, in our opinion, were reasonably stated as follows:

30 April 2021
RMB

86% Equity Interests in Xintaishi Zhongmu	175,000,000
68% Equity Interests in Dongying Tianze	118,000,000

Yours faithfully,

Roma Appraisals Limited

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the

2. DISCLOSURE OF INTERESTS**Interests in the Company*****Directors' and chief executive's interests in the Company***

As at the Latest Practicable Date, the interests and short positions of the Directors, proposed Directors and chief executives of the Company in the Shares, underlying shares

Notes:

1. The percentage is calculated on the basis of 2,521,081,780 Shares in issue as at the Latest Practicable Date.
2. Such interest represents the shares awards granted to the respective directors under a share award plan as announced by the Company on 29 December 2020. As at the Latest Practicable Date, no share under the share award plan has neither been purchased by the
3. These 202,038,750 Shares are held by Strong Eagle Holdings Limited whose share capital is 53% owned by Mr. Liu Hongwei. Mr. Liu Hongwei is deemed to be interested in these

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed Directors and chief executives of the Company had any interests or short positions in any securities of the Company or any of its subsidiaries or any other related corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to

Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors, proposed directors and chief executives of the

under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity	Long position/ short position	Number of Shares held	Approximate % of issued share capital of the Company (Note 1)
Strong Eagle Holdings (Note 2)	Beneficial owner	Long position	202,038,750	8.01%
Water Development (Note 3)	Beneficial owner	Long position	1,687,008,585	66.92%
	Person having	Long position	180,755,472	7.17%
Shuifa Energy Group Limited* (Note 3 and 4)	Interest of controlled corporation	Long position	1,867,764,057	74.09%
Shuifa Group Co., Ltd.* (Note 4)	Interest of controlled	Long position	1,867,764,057	74.09%

Notes:

- The percentage is calculated on the basis of 2,521,081,780 Shares in issue as at the Latest Practicable Date.
- Strong Eagle Holdings Limited is owned by Mr. Liu Hongwei, Mr. Sun Jinli, Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhuo Jianming, as to 53%, 15%, 13%, 10% and 9% respectively.

3. Water Development (HK) Holding Co., Limited is the beneficial owner of 1,687,008,585 shares of the Company and has a security interest over 180,755,472 shares of the Company. Therefore, Water Development (HK) Holding Co., Limited has an aggregate interest in 1,867,764,057 shares of the Company. Water Development (HK) Holding Co.,

to be interested in 1,867,764,057 shares of the Company (74.09% of the issued share capital of the Company) under the SFO. Each of Mr. Zheng Qingtao, the chairman of the Board, Mr. Chen Fushan, an executive Director and Mr. Wang Dongwei, an executive Director, is also a director of Shuifa Energy.

deemed to be interested in 1,867,764,057 shares of the Company (74.09% of the issued

the State Council of the Shandong Province of the PRC* (山東省國有資產監督管理委員會
山東省社會保障
基金理事會

under section 336 of the SFO have been notified to the Company as at the Latest Practicable Date.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting at the Latest Practicable Date and which was significant in relation to the businesses of the

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors

6. OTHER INTERESTS OF THE SHAREHOLDERS

As at the Latest Practicable Date:

- (i) Shuifa Energy (the sole shareholder of the Vendor) and its associate (Water Development (HK) Holding Co., Limited) holds 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital of the Company and they will be required to abstain

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the

8. EXPERT'S QUALIFICATION AND CONSENT

which are included in this circular:

Name	Qualification
Roma Appraisals Limited	securities) and Type 6 (advising on corporate finance) regulated independent financial adviser to advise the Independent Board Independent valuation firm

As at the Latest Practicable Date, neither the Valuer nor Red Sun Capital:

- (b) had any interest, either direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated

enquiries, each of the Valuer and Red Sun Capital is a third party independent of the Company and is

9. DOCUMENTS ON DISPLAY

(<https://www.hkexnews.hk/>) and the Company (<http://www.sfsyenergy.com/>) from the date of this circular up to and including the date of the SGM:

2. the Transfer of Rights Agreements;
3. the Financial Lease Agreements;
4. the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project;
5. the Share Transfer Agreement of Dongying Tianze 25MW Fishery and Solar Power Project, the Supplementary Agreement to the Share Transfer Agreement of Dongying Tianze and the Dongjiu Tianze PV Plant Operation and Maintenance Escrow Agreement;
7. the letter from the Independent Board Committee, the text of which is set out in the
9. the written consents referred to in the paragraph headed ‘‘Expert’s Qualification and

NOTICE OF SGM

NOTICE OF SGM

2. **“THAT**

necessary or expedient or desirable in connection with or to give effect to the Xintaishi

3. **“THAT**

- (a) the Dongying Tianze Acquisition and the transactions contemplated under the Dongying Tianze Sale and Purchase Agreement and the Dongying Tianze Transfer of Rights

necessary or expedient or desirable in connection with or to give effect to the Dongying Tianze Acquisition and any transaction contemplated under the Dongying Tianze Sale and Purchase Agreement and the Dongying Tianze Transfer of Rights Agreement

China Shuifa Singyes Energy Holdings Limited
Zheng Qingtao
Chairman

Hong Kong, 19 November 2021

NOTICE OF SGM

Notes:

closed from 1 December 2021 to 6 December 2021, both days inclusive, during which period no transfer documents, accompanied by the relevant share certificates, must be duly completed and lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 30 November 2021. The record date for determining qualification for attendance and voting at the SGM shall be 6 December 2021.

an officer, attorney or other person authorised to sign the same.

it is signed, or a notarially certified copy thereof, must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's

(i.e. not later than 11:00 a.m. on 4 December 2021) or any adjourned meeting. The proxy form is