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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)

MAJOR AND CONNECTED TRANSACTION(S) IN RELATION TO THE ACQUISITIONS OF THE TARGET COMPANIES

Financial Adviser to the Company



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



THE ACQUISITIONS

On 9 December 2022 (after trading hours), Hunan Shuifa Singyes, a wholly-owned subsidiary of the Company, entered into Share Transfer Agreements with each of Shuifa Energy and Shuifa Fengyuan Energy and Shuifa Energy (Tongyu), whereby Hunan Shuifa Singyes has conditionally agreed to acquire and Shuifa Energy and Shuifa Fengyuan Energy have conditionally agreed to sell 24% of the equity interest and 16% of the equity interest in Shuifa Energy (Tongyu), respectively, at the aggregate consideration of RMB491,299,700 (equivalent to approximately HK\$550,255,664).

Upon completion of the Share Transfers, Shuifa Energy (Tongyu) will be owned by Hunan Shuifa Singyes as to 40% and the board of directors of Shuifa Energy (Tongyu) will be controlled by Hunan Shuifa Singyes. As such, Shuifa Energy (Tongyu) will become a non-wholly owned subsidiary of the Company. Accordingly, the financial results of Shuifa Energy (Tongyu) will be consolidated into the Company's consolidated financial statements upon Completion of the Share Transfers.

On 9 December 2022 (after trading hours), Hunan Shuifa Singyes, a wholly-owned subsidiary of the Company, entered into (i) the Share Subscription Agreement with Shuifa Clean Energy, pursuant to which Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at the aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$564,227,440); and(ii) the Supplemental Share Subscription Agreement with Shuifa Energy with respect to the undertakings regarding the Share Subscription.

As at the date of this announcement, Shuifa Clean Energy is owned as to approximately 98.55% and 1.45% by Shuifa Energy and Linre New Energy, respectively. Upon completion of the Share Subscription, (i) Hunan Shuifa Singyes, Shuifa Energy and Linre New Energy will hold 51%, 48.29% and 0.71% of the total equity interest (on an enlarged basis) in Shuifa Clean Energy, respectively; and (ii) Shuifa Clean Energy will become a non-wholly owned subsidiary of the Company. Accordingly, the financial results of Shuifa Clean Energy will be consolidated into the Company's consolidated financial statements upon Completion of the Share Subscription.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or are otherwise related.

Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Share Transfers and the Share Subscription (whether on a standalone basis or when aggregated with the Previous Transactions under Rule 14A.81 of the Listing Rules) are greater than 25% but less than 100% as calculated under Rule 14.07 of the Listing Rules, the Acquisitions constitute a major transaction under Chapter 14 of the Listing Rules.

As at the date of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement, Shuifa Energy is the controlling shareholder of the Company indirectly holding 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital of the Company. As at the date of the Share Transfer Agreements, since Shuifa Group directly wholly owns Shuifa Energy and directly holds 64.07% of the issued capital of Shuifa Zhongxing which in turn holds 51% of the issued share capital of Shuifa Fengyuan Energy, Shuifa Fengyuan Energy is an associate of Shuifa Group. Accordingly, both Shuifa Energy and Shuifa Fengyuan Energy are connected persons of the Company, and the Share Transfers constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of the Share Subscription Agreement and the Supplemental Share Subscription Agreement, Shuifa Energy directly holds approximately 98.55% of the equity interest of Shuifa Clean Energy. Shuifa Clean Energy is an associate of Shuifa Energy and therefore a connected person of the Company. Accordingly, the Share Subscription constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

Therefore, the Acquisitions constitute a major (when aggregated with the Previous Transactions) and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and are thereby subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

GENERAL

An Independent Board Committee has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Acquisitions. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisitions.

The SGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the Acquisitions and the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement. Shuifa Group and its associates will abstain from voting for the resolutions regarding the Acquisitions, the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement at the SGM.

A circular containing, among others, (i) the material terms of and further information in relation to the Acquisitions; (ii) the recommendation and advice of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules together with a notice convening the SGM, is expected to be dispatched to the Shareholders on or before 28 February 2023 since additional time is required for the preparation of the circular.

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 Share Transfer Agreements and the Share Subscription Agreement, and the Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE ACQUISITIONS

On 9 December 2022 (after trading hours), Hunan Shuifa Singyes, a wholly-owned subsidiary of the Company, entered into Share Transfer Agreements with each of Shuifa Energy and Shuifa Fengyuan Energy, and Shuifa Energy (Tongyu), whereby Hunan Shuifa Singyes has conditionally agreed to acquire and Shuifa Energy and Shuifa Fengyuan Energy have conditionally agreed to sell 24% of the equity interest and 16% of the equity interest in Shuifa Energy (Tongyu), respectively, at the aggregate consideration of RMB491,299,700 (equivalent to approximately HK\$550,255,664).

On 9 December 2022 (after trading hours), Hunan Shuifa Singyes, a wholly-owned subsidiary of the Company, entered into (i) the Share Subscription Agreement with Shuifa Clean Energy, pursuant to which Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at the aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$564,227,440); and(ii) the Supplemental Share Subscription Agreement with Shuifa Energy with respect to the undertakings regarding the Share Subscription. The principal terms of the Share Transfer Agreements, Share Subscription Agreement and the Supplemental Share Subscription Agreement are set out as follows:

(i) Share Transfer Agreement I

Date

9 December 2022 (after trading hours)

The effective date of Share Transfer Agreement I shall be the day on which the last of the following conditions has been satisfied, and upon execution and affixation of company seal thereon by the legal representative or authorised representative of each party:

- (1) The board of directors and shareholders of each of Hunan Shuifa Singyes and Shuifa Energy having approved Share Transfer I; and
- (2) other shareholders of Shuifa Energy (Tongyu) (i.e. Shuifa Energy and Shuifa Fengyuan Energy) having provided a written confirmation on waiving their pre-emptive rights in connection with Share Transfer I.

Parties

- (1) Hunan Shuifa Singyes Green Energy Co., Ltd, as the acquirer;
- (2) Shuifa Energy, as the transferor; and
- (3) Shuifa Energy (Tongyu) as the target company.

As at the date of Share Transfer Agreement I, Shuifa Energy is the controlling shareholder of the Company indirectly holding 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital of the Company. Accordingly, Shuifa Energy is a connected person of the Company, and Share Transfer I constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Subject Matter

The subject matter of the share transfer under Share Transfer Agreement I is 24% equity interest in Shuifa Energy (Tongyu) held by the Shuifa Energy.

Consideration

The consideration payable by Hunan Shuifa Singyes to Shuifa Energy for Share Transfer I is RMB294,779,800 (equivalent to approximately HK\$330,153,376), which shall be payable by wire transfer by Hunan Shuifa Singyes to Shuifa Energy in three instalments as follows:

Instalment	Amount <i>(RMB)</i>	Due Date
1	117,911,900 (i.e. 40% of the consideration of Share Transfer I)	within 10 business days after all Share Transfer I CPs are being satisfied and by 31 December 2022.
2	117,911,900 (i.e. 40% of the consideration of Share Transfer I)	within six months after the date of completion of registration of the change of market entities.
3	58,956,000 (i.e. 20% of the consideration of Share Transfer I)	on 31 March 2024 (or such other date as may be agreed in writing between Hunan Shuifa Singyes and Shuifa Energy).

Basis of Consideration

The consideration for Share Transfer I was determined after arm's length negotiation between Hunan Shuifa Singyes and Shuifa Energy by reference to, among others, the financial results of Shuifa Energy (Tongyu) audited by the Auditor for the period from 28 January 2021 (i.e. date of establishment of Shuifa Energy (Tongyu)) to 31 December 2021 in the Auditor's Report I and the management accounts for the nine months ended 30 September 2022 and the preliminary valuation of the 100% equity interest in Shuifa Energy (Tongyu) at approximately RMB1,297,238,000 using market approach as at 30 September 2022 by the Valuer.

The consideration for Share Transfer I is expected to be financed by the internal resources of the Group and/or external bank financing.

Conditions Precedent

Completion of Share Transfer I is conditional upon the following conditions precedent (“**Share Transfer I CPs**”) having been fulfilled by Hunan Shuifa Singyes and Shuifa Energy (except that paragraphs (d) and (e) cannot be waived):

- (a) the board of directors and shareholders of each of Hunan Shuifa Singyes and Shuifa Energy having approved Share Transfer I;
- (b) other shareholders of Shuifa Energy (Tongyu) (i.e. Shuifa Energy and Shuifa Fengyuan Energy) having provided a written confirmation on waiving their pre-emptive rights in connection with Share Transfer I;
- (c) Hunan Shuifa Singyes and Shuifa Energy having completed the internal approval procedures of state-owned enterprise of the PRC in respect of Share Transfer I, including but not limited to obtaining internal approvals from Shuifa Energy and Shuifa Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) the Independent Shareholders having approved the transactions contemplated under Share Transfer Agreement I in accordance with the Listing Rules;
- (e) the Company, being the controlling shareholder of Hunan Shuifa Singyes, having obtained approval in relation to Share Transfer I from the Stock Exchange in accordance with the Listing Rules (if necessary);
- (f) Huaneng Tiancheng having agreed to cooperate with Shuifa Energy to discharge the pledge on 24% equity interest in Shuifa Energy (Tongyu); and
- (g) Shuifa Energy having extended the registered capital paid-up period and having completed the change or record of registration at the local Administration of Market Regulation in order to rectify the irregularity of the registered capital of Shuifa Energy (Tongyu) not being paid out as scheduled.

Completion of Share Transfer I by Shuifa Energy is conditional upon the following conditions having been fulfilled at or prior to Completion or waived in writing by Shuifa Energy (except paragraph (b)):

- (a) all representations and warranties given by Hunan Shuifa Singyes under Share Transfer Agreement I having remained true, accurate, complete and not misleading on the date of execution of Share Transfer Agreement I and up to the Share Transfer I Completion Date; and
- (b) Hunan Shuifa Singyes having signed and delivered to the Shuifa Energy (Tongyu) and Shuifa Energy the Share Transfer Agreement I.

Completion of Share Transfer I by Hunan Shuifa Singyes is conditional upon the following conditions having been fulfilled at or prior to Completion or waived in writing by Hunan Shuifa Singyes (except paragraph (b)):

- (a) all representations and warranties given by Shuifa Energy under Share Transfer Agreement I having remained true, accurate, complete and not misleading on the date of execution of Share Transfer Agreement I and up to the Share Transfer I Completion Date;
- (b) Shuifa Energy and Shuifa Energy (Tongyu) having signed and delivered to Hunan Shuifa Singyes the Share Transfer Agreement I;
- (c) each of Shuifa Energy and Shuifa Energy (Tongyu) not having materially breached any warranties given by it under Share Transfer Agreement I; and
- (d) there has not been any material adverse effect or change on Shuifa Energy (Tongyu) since 30 April 2022.

Completion

Completion of Share Transfer I shall take place on the date of completion of all of the following (the “**Share Transfer I Completion Date**”):

- (a) the submission of the relevant documents and the completion of change of registration of market entities with the local Administration for Market Regulation in respect of changes in relation to Share Transfer I. Within three business days after the completion of change of registration of market entities, Shuifa Energy (Tongyu) shall provide Hunan Shuifa Singyes with the relevant supporting documents (including the new articles of association filed with the local Administration for Market Regulation); and
- (b) the transfer of all financial books (electronic and manual), account information, bank account information, cash, deposits, financial seals, bills, vouchers and information necessary for the daily operation and management of Shuifa Energy (Tongyu), various documents and Shuifa Energy (Tongyu)’s assets (if any) including but not limited to fixed assets, land certificates, real estate certificates, personnel files, various certificates (business licenses and other approval certificates, permit certificates, qualification certificates, approvals or proofs, etc.), agreements, contracts, company seals, seals of legal representatives, business records, vehicle licenses and insurance policies, and completion information and drawings of projects to Hunan Shuifa Singyes (upon confirmation, to perform the handover procedures).

Consideration Adjustment

The transition period shall start from 30 April 2022 and end on the Share Transfer I Completion Date, and Shuifa Energy shall ensure that the shareholders’ equity in Shuifa Energy (Tongyu) shall not be reduced during the transition period. Within one month from the date of signing of Share Transfer Agreement I, Shuifa Energy and Hunan Shuifa Singyes agree to conduct a subsequent audit on the transition period of Shuifa Energy (Tongyu) by the original auditor, and the audit results shall be approved by both parties. If, after audit, the shareholders’ equity has abnormally reduced, the consideration shall be reduced accordingly. If, after the reduction, the amount paid by Hunan Shuifa Singyes has exceeded the reduced consideration, Shuifa Energy shall return the excess to Hunan Shuifa Singyes within ten business days or deduct it directly from subsequent costs. If the shareholders’ equity has increased during the transition period, the increase shall belong to Shuifa Energy (Tongyu) and the consideration will not be adjusted.

Special Agreement and Undertakings

- (1) Shuifa Energy shall be liable for, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer I, any losses suffered by Shuifa Energy (Tongyu) arising from or resulting from acts or facts already existing prior to the Share Transfer I Completion Date, including but not limited to construction, operation, labour employment, taxation and debts (including contingent liabilities).
- (2) Shuifa Energy shall be liable for, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer I, any disputes, losses and damages suffered by Shuifa Energy (Tongyu) before the Share Transfer I Completion Date, arising from the performance of employment relationship, including but not limited to disputes with the employees or administrative penalties.
- (3) Shuifa Energy has undertaken to indemnify and kept indemnified each of Shuifa Energy (Tongyu) and Hunan Shuifa Singyes, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer I, against any losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines which any of them may suffer, sustain or incur (as the case may be) in connection with (a) any breach or non-compliance of the requirements of the PRC laws and rules by Shuifa Energy (Tongyu) prior to the date of completion of Share Transfer I, and (b) any deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased by Shuifa Energy (Tongyu); and (c) enforcing the legal rights in connection with the debts or contracts of Shuifa Energy (Tongyu) prior to the completion of Share Transfer I, including but not limited to:
 - i. the handling charges of the relevant procedures of the construction of project wind farm of Shuifa Energy (Tongyu) and the losses as a result of drawbacks including administrative penalties arising from Shuifa Energy (Tongyu) being unable to process the relevant procedures and commencing construction before obtaining approval;
 - ii. the handling charges of the relevant procedures of the right of use of land in relation to the project wind farm of Shuifa Energy (Tongyu) and the losses as a result of drawbacks including administrative penalties arising from Shuifa Energy (Tongyu) occupying the land without being granted with the right of use; and

- iii. all losses as a result of Shuifa Energy (Tongyu) being unable to obtain change approval upon exceeding the approved construction capacity of the project wind farm;
- (4) Shuifa Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement I with a total rental amount and handling charges of approximately RMB2,904,432,271.66. Upon the signing of Share Transfer Agreement I, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement I, and there is no breach of the Financial Lease Agreement I.
- (5) Shuifa Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement II with a total rental amount and handling charges of approximately RMB580,058,260.78. Upon the signing of Share Transfer Agreement I, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement II, and there is no breach of the Financial Lease Agreement II.

(ii) Share Transfer Agreement II

Date

9 December 2022 (after trading hours)

The effective date of Share Transfer Agreement II shall be the day on which the last of the following conditions has been satisfied, and upon execution and affixation of company seal thereon by the legal representative or authorised representative of each party:

- (1) The board of directors and shareholders of each of Hunan Shuifa Singyes and Shuifa Fengyuan Energy having approved Share Transfer II; and
- (2) other shareholders of Shuifa Energy (Tongyu) (i.e. Shuifa Energy and Shuifa Fengyuan Energy), having provided a written confirmation on waiving their pre-emptive rights in connection with Share Transfer II.

Parties

- (1) Hunan Shuifa Singyes Green Energy Co., Ltd, as the acquirer;
- (2) Shuifa Fengyuan Energy, as the transferor; and
- (3) Shuifa Energy (Tongyu) as the target company.

As at the date of Share Transfer Agreement II, Since Shuifa Group, directly wholly owns Shuifa Energy and directly holds 64.07% of the issued capital of Shuifa Zhongxing which in turn holds 51% of the issued share capital of Shuifa Fengyuan Energy, Shuifa Fengyuan Energy is an associate of Shuifa Group. Accordingly, Shuifa Fengyuan Energy is a connected person of the Company, and Share Transfer II constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Subject Matter

The subject matter of the share transfer under Share Transfer Agreement II is 16% equity interest in Shuifa Energy (Tongyu) held by the Shuifa Fengyuan Energy.

Consideration

The consideration payable by Hunan Shuifa Singyes to Shuifa Fengyuan Energy for Share Transfer II is RMB196,519,900 (equivalent to approximately HK\$220,102,288), which shall be payable by wire transfer by Hunan Shuifa Singyes to Shuifa Fengyuan Energy in three instalments as follows:

Instalment	Amount (RMB)	Due Date
1	78,608,000 (i.e. 40% of the consideration of Share Transfer II)	within 10 business days after all Share Transfer II CPs are being satisfied and by 31 December 2022.
2	78,608,000 (i.e. 40% of the consideration of Share Transfer II)	within six months after the date of completion of registration of the change of market entities.
3	39,303,900 (i.e. 20% of the consideration of Share Transfer II)	on 31 March 2024 (or such other date as may be agreed in writing between Hunan Shuifa Singyes and Shuifa Fengyuan Energy).

Basis of Consideration

The consideration for Share Transfer II was determined after arm's length negotiation between Hunan Shuifa Singyes and Shuifa Fengyuan Energy by reference to, among others, the financial results of Shuifa Energy (Tongyu) audited by the Auditor for the period from 28 January 2021 (i.e. date of establishment of Shuifa Energy (Tongyu)) to 31 December 2021 in the Auditor's Report I and the management accounts for the nine months ended 30 September 2022 and the preliminary valuation of the 100% equity interest in Shuifa Energy (Tongyu) at approximately RMB1,297,238,000 using market approach as at 30 September 2022 by the Valuer.

The consideration for Share Transfer II is expected to be financed by the internal resources of the Group and/or external bank financing.

Conditions Precedent

Completion of Share Transfer II is conditional upon the following conditions precedent ("**Share Transfer II** **CPS**") having been fulfilled by Hunan Shuifa Singyes and Shuifa Fengyuan Energy (except that paragraphs (d) and (e) cannot be waived):

- (a) The board of directors and shareholders of each of Hunan Shuifa Singyes and Shuifa Fengyuan Energy having approved Share Transfer II;
- (b) other shareholders of Shuifa Energy (Tongyu) (i.e. Shuifa Energy and Shuifa Fengyuan Energy), having provided a written confirmation on waiving their pre-emptive rights in connection with Share Transfer II;
- (c) Shuifa Fengyuan Energy having completed the internal approval procedures of state-owned enterprise of the PRC in respect of Share Transfer II, including but not limited to obtaining internal approvals from Shuifa Fengyuan Energy and Shuifa Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) the Independent Shareholders having approved the transactions contemplated under Share Transfer Agreement II in accordance with the Listing Rules;
- (e) the Company, being the controlling shareholder of Hunan Shuifa Singyes, having obtained approval in relation to Share Transfer II from the Stock Exchange in accordance with the Listing Rules (if necessary);

- (f) Huaneng Tiancheng having agreed to cooperate with Shuifa Fengyuan Energy to discharge the pledge on 16% equity interest in Shuifa Energy (Tongyu); and
- (g) Shuifa Fengyuan Energy having extended the registered capital paid-up period and having complete the change or record of registration at the local Administration of Market Regulation, in order to rectify the irregularity of the registered capital of Shuifa Energy (Tongyu) not being paid out as scheduled.

Completion of Share Transfer II by Shuifa Fengyuan Energy is conditional upon the following conditions having been fulfilled at or prior to Completion or waived in writing by Shuifa Fengyuan Energy (except paragraph (b)):

- (a) all representations and warranties given by Hunan Shuifa Singyes under Share Transfer Agreement II having remained true, accurate, complete and not misleading on the date of execution of Share Transfer Agreement II and up to the Share Transfer II Completion Date; and
- (b) Hunan Shuifa Singyes having signed and delivered to Shuifa Energy (Tongyu) and Shuifa Fengyuan Energy the Share Transfer Agreement II.

Completion of Share Transfer II by Hunan Shuifa Singyes is conditional upon the following conditions having been fulfilled at or prior to Completion or waived in writing by Hunan Shuifa Singyes (except paragraph (b)):

- (a) all representations and warranties given by Shuifa Fengyuan Energy under Share Transfer Agreement II having remained true, accurate, complete and not misleading on the date of execution of Share Transfer Agreement II and up to the Share Transfer II Completion Date;
- (b) Shuifa Fengyuan Energy and Shuifa Energy (Tongyu) having signed and delivered to Hunan Shuifa Singyes the Share Transfer Agreement II;
- (c) each of Shuifa Fengyuan Energy and Shuifa Energy (Tongyu) not having materially breached any of the warranties given by it under Share Transfer Agreement II; and
- (d) there has not been any material adverse effect or change on Shuifa Energy (Tongyu) since 30 April 2022.

Completion

Completion of Share Transfer II shall take place on the date of completion of all of the following (the “**Share Transfer II Completion Date**”):

- (a) the submission of the relevant documents and the completion of change of registration of market entities with the local Administration for Market Regulation in respect of changes in relation to Share Transfer II. Within three business days after the completion of change of registration of market entities, Shuifa Energy (Tongyu) shall provide Hunan Shuifa Singyes with the relevant supporting documents (including the new articles of association filed with the local Administration for Market Regulation); and
- (b) the transfer of all financial books (electronic and manual), account information, bank account information, cash, deposits, financial seals, bills, vouchers and information necessary for the daily operation and management of Shuifa Energy (Tongyu), various documents and Shuifa Energy (Tongyu)’s assets (if any) including but not limited to fixed assets, land certificates, real estate certificates, personnel files, various certificates (business licenses and other approval certificates, permit certificates, qualification certificates, approvals or proofs, etc.), agreements, contracts, company seals, seals of legal representatives, business records, vehicle licenses and insurance policies, and completion information and drawings of projects to Hunan Shuifa Singyes (upon confirmation, to perform the handover procedures).

Consideration Adjustment

The transition period shall start from 30 April 2022 and end on the Share Transfer II Completion Date, and Shuifa Fengyuan Energy shall ensure that the shareholders’ equity in Shuifa Energy (Tongyu) shall not be reduced during the transition period. Within one month from the date of signing of Share Transfer Agreement II, Shuifa Fengyuan Energy and Hunan Shuifa Singyes agree to conduct a subsequent audit on the transition period of Shuifa Energy (Tongyu) by the original auditor, and the audit results shall be approved by both parties. If, after audit, the shareholders’ equity has abnormally reduced, the consideration shall be reduced accordingly. If, after the reduction, the amount paid by Hunan Shuifa Singyes has exceeded the reduced consideration, Shuifa Fengyuan Energy shall return the excess to Hunan Shuifa Singyes within ten business days or deduct it directly from subsequent costs. If the shareholders’ equity has increased during the transition period, the increase shall belong to Shuifa Energy (Tongyu) and the consideration will not be adjusted.

Special Agreement and Undertakings

- (1) Shuifa Fengyuan Energy shall be liable for, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer II, any losses suffered by Shuifa Energy (Tongyu) arising from or resulting from acts or facts already existing prior to the Share Transfer II Completion Date, including but not limited to construction, operation, labour employment, taxation and debts (including contingent liabilities).
- (2) Shuifa Fengyuan Energy shall be liable for, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer II, any disputes, losses and damages suffered by Shuifa Energy (Tongyu) before the Share Transfer II Completion Date, arising from the performance of employment relationship, including but not limited to disputes with the employees or administrative penalties.
- (3) Shuifa Fengyuan Energy has undertaken to indemnify and kept indemnified each of Shuifa Energy (Tongyu) and Hunan Shuifa Singyes, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer II, against any losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines which any of them may suffer, sustain or incur (as the case may be) in connection with (a) any breach or non-compliance of the requirements of the PRC laws and rules by Shuifa Energy (Tongyu) prior to the date of completion of Share Transfer II, and (b) any deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased by Shuifa Energy (Tongyu); and (c) enforcing the legal rights in connection with the debts or contracts of Shuifa Energy (Tongyu) prior to the completion of Share Transfer II, including but not limited to:
 - i. the handling charges of the relevant procedures of the construction of project wind farm of Shuifa Energy (Tongyu) and the losses as a result of drawbacks including administrative penalties arising from Shuifa Energy (Tongyu) being unable to process the relevant procedures and commencing construction before obtaining approval;
 - ii. the handling charges of the relevant procedures of the right of use of land in relation to the project wind farm of Shuifa Energy (Tongyu) and the losses as a result of drawbacks including administrative penalties arising from Shuifa Energy (Tongyu) occupying the land without being granted with the right of use; and

- iii. all losses as a result of Shuifa Energy (Tongyu) being unable to obtain change approval upon exceeding the approved construction capacity of the project wind farm;
- (4) Shuifa Fengyuan Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement I with a total rental amount and handling charges of approximately RMB2,904,432,271.66. Upon the signing of Share Transfer Agreement II, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement I, and there is no breach of the Financial Lease Agreement I.
- (5) Shuifa Fengyuan Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement II with a total rental amount and handling charges of approximately RMB580,058,260.78. Upon the signing of Share Transfer Agreement II, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement II, and there is no breach of the Financial Lease Agreement II.

(iii) Share Subscription Agreement

Date

9 December 2022 (after trading hours)

Parties

- (1) Shuifa Clean Energy Co., Ltd, as the issuer and
- (2) Hunan Shuifa Singyes Green Energy Co., Ltd, as the subscriber.

As at the date of the Share Subscription Agreement, Shuifa Energy is the controlling shareholder of the Company indirectly holding 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital of the Company, and Shuifa Energy directly holds approximately 98.55% of the equity interest of Shuifa Clean Energy. Shuifa Clean Energy is an associate of Shuifa Energy and therefore a connected person of the Company. Accordingly, the Share Subscription constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Share Subscription Agreement, Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at an aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$564,227,440).

Subscription price and payment schedule

The subscription price per share payable by Hunan Shuifa Singyes to Shuifa Clean Energy is RMB4.77. Therefore, the aggregate subscription price payable by Hunan Shuifa Singyes to Shuifa Clean Energy for the Share Subscription will be RMB503,774,500 (equivalent to approximately HK\$564,227,440), which shall be settled by cash and payable by Hunan Shuifa Singyes to Shuifa Clean Energy in a manner approved by Qilu Stock Right Trading Center and in the manner prescribed in the share subscription announcement published by Shuifa Clean Energy on the disclosure platform of Qilu Stock Right Trading Center. The payment schedule is as follows:

- (a) subject to the satisfaction of the conditions precedent set out in the Share Subscription Agreement, by 31 December 2022 (or at any later date as agreed by both parties), RMB105,613,100 as paid-up capital of Shuifa Clean Energy; and
- (b) RMB398,161,400 shall be paid on 31 December 2025 (or such other date as may be agreed in writing by Hunan Shuifa Singyes and Shuifa Clean Energy) (which can be paid in advance of the due date by written confirmation from both parties).

Basis of Consideration

The aggregate subscription price for the Share Subscription was determined after arm's length negotiation between Hunan Shuifa Singyes and Shuifa Clean Energy by reference to, among others, the historical financial performance of Shuifa Clean Energy and the assets and liabilities of Shuifa Clean Energy. In addition, Hunan Shuifa Singyes also took into account the financial accounts of Shuifa Energy audited by the Auditor for the financial year ended 31 December 2021 in the Auditor's Report II and the management accounts for the eight months ended 31 August 2022, the preliminary valuation of the 100% equity interest in Shuifa Clean Energy at approximately RMB395,984,000 using market approach as at 31 August 2022 by the Valuer, and the registered capital of (i) RMB80,000,000 of Shuifa Clean Energy which was paid by Shuifa Energy on 18 November 2022 and (ii) RMB1,176,900 which was paid by Linre New Energy on 21 November 2022.

The aggregate subscription price for the Share Subscription is expected to be financed by the internal resources of the Group and/or external bank financing.

The registered capital to which Hunan Shuifa Singyes contributed by way of subscription of shares of Shuifa Clean Energy pursuant to the Share Subscription Agreement is expected to be used for the development of the power projects of Shuifa Clean Energy and general working capital for Yijun County Tianxing New Energy Limited, an indirect non-wholly owned subsidiary of Shuifa Clean Energy.

Conditions Precedent

Completion of the Share Subscription is subject to the following conditions precedent:

- (a) The board of directors and shareholders of Hunan Shuifa Singyes having approved the Share Subscription Agreement;
- (b) the Independent Shareholders having approved the transactions contemplated under the Share Subscription Agreement in accordance with the Listing Rules;
- (c) Shuifa Clean Energy having completed the internal approval procedures of state-owned enterprise of the PRC in respect of the Share Subscription, including but not limited to obtaining internal approvals from Shuifa Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) Shuifa Clean Energy having obtained relevant approval in relation to the Share Subscription from Qilu Stock Right Trading Center and Qilu Stock Right Trading Center having exempted Shuifa Clean Energy from convening a creditors' meeting to consider the Share Subscription;
- (e) Shuifa Clean Energy not having materially breached any of the warranties given by it under the Share Subscription Agreement; and
- (f) there has not been any material adverse effect or change on Shuifa Clean Energy since 31 August 2022.

Completion

Completion of the Share Subscription shall take place on the date of completion of the change of share registration.

Share registration

Shuifa Clean Energy shall engage an accounting firm with securities-related qualifications to complete the capital verification within 10 working days after receiving the first instalment of the aggregate subscription price paid by Hunan Shuifa Singyes for the Share Subscription, and submit the filing documents and application in respect of the Share Subscription to Qilu Stock Right Trading Center within 30 days after the issuance of the capital verification report, and it shall handle the corresponding change in industrial and commercial registration and share change registration procedures within 20 working days upon completion of the aforementioned filing procedures. Shuifa Clean Energy shall provide Hunan Shuifa Singyes with supporting documents in relation to the Share Subscription including the “Register of Securities Holders” setting out Hunan Shuifa Singyes as a shareholder of Shuifa Clean Energy and the complete set of industrial and commercial filing documents issued by Shuifa Clean Energy for the change in industrial and commercial registration.

Shuifa Clean Energy shall engage an accounting firm with securities-related qualifications to complete the capital verification within 10 working days after receiving the remainder of the aggregate subscription price paid by Hunan Shuifa Singyes for the Share Subscription, and submit any supplementary information to Qilu Stock Right Trading Center within 30 days after the issuance of the capital verification report (if necessary).

If any of the conditions precedent are not fulfilled, the Subscription Agreement shall terminate, and no party shall be deemed to have breached the Subscription Agreement or shall bear any civil liability, save for any antecedent breaches prior to the termination of the Subscription Agreement.

Ex-dividend and undistributed profits

During the period from the pricing determination date of the Share Subscription to the issue date of the shares of Shuifa Clean Energy, if Shuifa Clean Energy takes actions which are ex-dividend or ex-rights such as distribution of dividends, bonus shares, conversion of share capital or placing, the issue price and number of shares to be issued in respect of the Share Subscription will be adjusted accordingly in accordance with the relevant rules of Qilu Stock Right Trading Center.

After completion of the Share Subscription, the undistributed profits of Shuifa Clean Energy before the Share Subscription will be shared by the new and existing shareholders Shuifa Clean Energy in accordance with the shareholding ratio after the completion of the Share Subscription.

(iv) Supplemental Share Subscription Agreement

Date

9 December 2022 (after trading hours)

The Supplemental Share Subscription Agreement shall become effective upon (i) the signing by Shuifa Energy and Hunan Shuifa Singyes; and (ii) the Share Subscription Agreement having become effective.

Parties

- (1) Shuifa Energy Group Limited, as the controlling shareholder of Shuifa Clean Energy; and
- (2) Hunan Shuifa Singyes Green Energy Co., Ltd, as the subscriber.

Subject matter

Shuifa Energy has undertaken to indemnify and kept indemnified Hunan Shuifa Singyes against any losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines which any of them may suffer, sustain or incur (as the case may be) in connection with (a) any breach or non-compliance of the requirements of the PRC laws and rules by Shuifa Clean Energy prior to the date of completion of the change of share registration; and (b) any deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased by Shuifa Clean Energy; and (c) enforcing the legal rights in connection with the debts or contracts of Shuifa Clean Energy prior to the completion of the Share Subscription, including but not limited to:

- (a) Shuifa Clean Energy is not the investment filing entity of its certain photovoltaic projects, and Shuifa Energy shall be liable for the related losses arising or resulting therefrom;
- (b) there are defects in the approval procedures of certain photovoltaic projects of Shuifa Clean Energy, and Shuifa Energy shall be liable for the related losses arising or resulting therefrom; and
- (c) certain subsidiaries of Shuifa Clean Energy have been included in the List of Enterprises with Abnormal Operations, and Shuifa Energy shall be liable for the related losses arising or resulting therefrom.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Immediately upon Completion of the Share Transfers, Shuifa Energy (Tongyu) will be owned by Hunan Shuifa Singyes as to 40% and the board of directors of Shuifa Energy (Tongyu) will be controlled by Hunan Shuifa Singyes. As such, Shuifa Energy (Tongyu) will become a non-wholly owned subsidiary of the Company. Accordingly, the financial results of Shuifa Energy (Tongyu) will be consolidated into the Company's consolidated financial statements upon Completion of the Share Transfers.

Upon completion of the Share Subscription, the registered capital of Shuifa Clean Energy will increase by approximately RMB105,613,100 and approximately RMB398,161,400 shall be credited as capital reserve of Shuifa Clean Energy. Immediately upon Completion of the Share Subscription, Hunan Shuifa Singyes will hold 51% of the total equity interest (on an enlarged basis) in Shuifa Clean Energy and Shuifa Clean Energy will become a non-wholly owned subsidiary of the Company. Accordingly, the financial results of Shuifa Clean Energy will be consolidated into the Company's consolidated financial statements upon Completion of the Share Subscription.

INFORMATION ON THE SHUIFA ENERGY AND SHUIFA FENGYUAN ENERGY

Information on Shuifa Energy

Shuifa Energy is an investment holding company established in the PRC with limited liability and a primary focus on the clean energy business segments. It is wholly-owned by Shuifa Group. Shuifa Group is owned, directly and indirectly, as to 90% by the State-owned Assets Supervision and Administration 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) and as to 10% by the Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會), which is directly under the Shandong Provincial Government. Shuifa Group is principally engaged in the operation of water projects and environment management, modern agriculture, cultural tourism and renewable energy business segments in the PRC.

Information on Shuifa Fengyuan Energy

Shuifa Fengyuan Energy is a company established in the PRC with limited liability and is directly owned as to 51% by Shuifa Zhongxing. Shuifa Zhongxing is directly owned as to 64.07% by Shuifa Group, and therefore, Shuifa Fengyuan Energy is indirectly owned as to 51% by Shuifa Group. Shuifa Fengyuan Energy is principally engaged in new energy business, and operations and maintenance of power plants and grid system.

INFORMATION ON THE TARGET COMPANIES

Information on Shuifa Energy (Tongyu)

Shuifa Energy (Tongyu) is a company established in the PRC with limited liability with a total registered capital of RMB800,000,000, among which RMB612,000,000 has been fully paid up. Shuifa Energy (Tongyu) is owned as to 60% by Shuifa Energy and 40% by Shuifa Fengyuan Energy. It is principally engaged in the operations of electricity generation, transmission and supply.

Shuifa Energy (Tongyu) has invested in the 500MW wind power project, which was constructed in Tongyu county, Baicheng city, Jilin province of the PRC. The project involves (i) installation of 116 wind turbines with a total capacity of 500MW; (ii) construction of a 220kV step-up substation which is connected to the grid in Jilin, then to the inverter station in Jarud, Inner Mongolia by a coil of 220kV wire, and finally sending the power generated to the grid in Shangdong for consumption through Lugu direct current. The tariff is RMB0.30852 per kWh, with annual power generation being approximately 1,700 million kWh and maximum power generation of the wind farm operating under full capacity being 3,508.9 hours annually.

According to the Share Transfer Agreements, the number of directors on the board of directors of Shuifa Energy (Tongyu) will increase from three to five, among which three of them will be appointed by Hunan Shuifa Singyes, one of them will be appointed by Shuifa Energy and one of them will be appointed by Shuifa Fengyuan Energy. The board of directors of Shuifa Energy (Tongyu) may by a simple majority pass a resolution.

Shuifa Energy (Tongyu) was established by Shuifa Energy and Shuifa Fengyuan Energy, and was not acquired from a third party.

Since the ultimate holding company of Shuifa Energy (Tongyu) is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC, the Share Transfers will involve acquisitions of state-owned assets. A valuer in the PRC has been engaged by Shuifa Energy and Shuifa Fengyuan Energy to prepare Valuation Report I on Shuifa Energy (Tongyu) in order to comply with the applicable laws, rules and regulations in the PRC. Valuation Report I was prepared on the basis of income approach and asset-based approach in respect of Shuifa Energy (Tongyu).

Financial information of Shuifa Energy (Tongyu)

Based on the consolidated financial statements of Shuifa Energy (Tongyu) prepared in accordance with the PRC Generally Accepted Accounting Principles (“**PRC GAAP**”), the profit or loss of Shuifa Energy (Tongyu) before and after taxation is as follows:

	For the nine months ended 30 September 2022 (unaudited) <i>RMB</i>	For financial year ended 31 December 2021 (audited) <i>RMB</i>
Net Profit/(Loss) before tax	119,057,768.51	(137,276.95)
Net Profit/(Loss) after tax	119,057,768.51	(137,276.95)

As at 30 September 2022, the unaudited consolidated net assets value of Shuifa Energy (Tongyu) under PRC GAAP was RMB730,920,491.56.

Information on Shuifa Clean Energy

Shuifa Clean Energy is a company established in the PRC with limited liability with a total registered capital of RMB101,471,400, which has been fully paid up. As at the date of this announcement, Shuifa Clean Energy is owned as to approximately 98.55% by Shuifa Energy and approximately 1.45% by Linre New Energy. Save for its interest in Shuifa Clean Energy, Linre New Energy is a third party independent of the Company and its connected persons as at the date of this announcement. Shuifa Clean Energy is principally engaged in the business of photovoltaic power generation.

Shuifa Clean Energy has a 250MW photovoltaic project located in Tongchuan City, Shaanxi Province of the PRC and a number of photovoltaic projects in Heze, Zibo and other places in Shandong Province of the PRC. Shuifa Clean Energy currently has three projects in operation, and other projects to be constructed which filings have been made. Two of the projects in operation have installed capacity of 252MW, namely the 250MW photovoltaic project of Yijun County Tianxing New Energy Limited and the 2MW distributed photovoltaic project of Heze Zhongxing Peony Water Environment Co., Ltd. in Heze High-tech Zone of the PRC.

Since the ultimate holding company of Shuifa Clean Energy is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC, the Share Subscription will involve acquisition of state-owned assets. A valuer in the PRC has been engaged by Shuifa Clean Energy to prepare Valuation Report II on Shuifa Clean Energy in order to comply with the applicable laws, rules and regulations in the PRC. Valuation Report II was prepared on the basis of income approach and asset-based approach in respect of Shuifa Clean Energy.

Financial information of Shuifa Clean Energy

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

	For the eight months ended 31 August 2022 (unaudited) <i>RMB</i>	For financial year ended 31 December 2021 (audited) <i>RMB</i>	For financial year ended 31 December 2020 (audited) <i>RMB</i>
Net Profit/(Loss) before tax	76,925,580.46	49,985,529.28	73,974,702.20
Net Profit/(Loss) after tax	72,908,454.62	45,564,705.64	58,416,681.72

As at 31 August 2022, the unaudited consolidated net assets value of Shuifa Clean Energy under PRC GAAP was RMB218,101,161.92.

INFORMATION ON SHUIFA GROUP

Shuifa Group is incorporated in the PRC and is principally engaged in the operation of water projects and environment management, modern agriculture, cultural tourism and renewable energy business segments in the PRC. It is also principally responsible for the operation and management of the state-owned water resources assets in Shandong Province of the PRC and the investment and financing of key water engineering projects in Shandong Province of the PRC and planning for investment development and business management of water-related projects and other related industries in Shandong Province of the PRC.

Shuifa Group wholly owns, and is the controlling shareholder of, Shuifa Energy. Shuifa Group is owned, directly and indirectly, as to 90% by the State-owned Assets Supervision and Administration 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) and as to 10% by the Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會), which is directly under the Shandong Provincial Government.

INFORMATION ON THE GROUP, HUNAN SHUIFA SINGYES AND REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Company is an investment holding company. The Group is a professional renewable energy system integrator and building contractor, and is principally engaged in the design, fabrication and supply and installation of conventional curtain walls and building integrated photovoltaic systems, as well as the manufacture and sale of solar power products.

Hunan Shuifa Singyes is a company incorporated in the PRC engaged in solar farm engineering, procurement and construction and solar farm operations. It is wholly-owned by the Company, the investment holding company that holds the other members of the Group.

As a renewable energy solution provider and building contractor in PRC, the Group aims to transform into a high-quality green power operator with comprehensive capabilities and emerge as the leader in the green energy sector. The Group has endeavoured to identify suitable acquisition targets to diversify its existing renewable power plant portfolio, scale up its business into different PRC provinces, and enhance the competitiveness and profitability of the company, ultimately maximizing the returns to the Shareholders. In 2020, the Group further diversified its business into wind power engineering, procurement and construction (“**Wind Power EPC**”).

As stated in the 2021 annual report of the Company, the Group aspires and strives to grow into an enterprise with a focus on renewable energy business. The Group’s Wind Power EPC business accounted for approximately 52.2% of the Group’s revenue and achieved a gross profit margin of approximately 19.1% for the six-month period ended 30 June 2022. As Shuifa Energy (Tongyu) is a wind farm operator, the principal business of Shuifa Energy (Tongyu) is in line with the Group’s existing business.

The renewable energy sector in the PRC has exhibited exponential growth in recent years. According to Renewable Energy Market Update (2022) published by the International Energy Agency, China has been the largest market of renewable energy, accounting for 46% of worldwide renewable capacity additions, far ahead of its counterparts such as Europe, the USA and India. In 2020 and 2021, China had seen a record-breaking increase in wind and solar PV installations. For example, offshore wind installations increased almost six-fold in 2021 as compared with 2020. It is therefore the strategy of the Group to capitalise the industry growth and further increase its wind and photovoltaic power capacity. Based on the above, the Company considers that the Acquisitions will further enhance the market share of the Group in the renewable energy sector.

The Chinese government has expressed its goal of “achieving the carbon peak by 2030 and carbon neutrality by 2060” in the Climate Ambition Summit, officially opening the era of climate economy in China. In the Summit, Chinese delegates proposed that the total installed capacity of wind power and solar power generation would reach more than 1.2 billion kilowatts (kW), and that the said installed capacity will triple by the end of 2030, exceeding the total global installed capacity. Government support is therefore another reason for the Acquisitions. The development of the Group is also well-supported by the Chinese government. It is believed that the Acquisitions are considered to be suitable investment with good prospects and potential returns.

The Group’s solar projects included building integrated photovoltaic system, roof top solar system and ground mounted solar system. The building integrated photovoltaic system involves (i) the integration of photovoltaic technology into the architectural design of buildings and structures and (ii) conversion of solar energy into electricity for use. The Group’s revenue from its Solar EPC business for the six months ended 30 June 2022 increased by 70.2% as compared to that for the six months ended 30 June 2021. As Shuifa Clean Energy is principally engaged in the business of photovoltaic power generation, the principal business of Shuifa Clean Energy is in line with the Group’s existing business.

Following completion of the whitewash transaction by which Shuifa Energy became a majority 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 report, the Company plans to tap into the broader clean energy sector and develop other forms of clean energy business, such as gas, heating and hydrogen energy, on the back of its established solar energy, wind energy and stored energy businesses with an ultimate goal to developing into a clean energy industry cluster with multiple capabilities and complementary advantages. As stated in its 2021 annual report, the Group aims to accelerate its transformation into a high-quality green power operator with core competitiveness and become a large-scale leading clean energy enterprise.

As at the date of this announcement, the Group has no on-grid wind power station, therefore, the Acquisitions can substantially expand the wind energy business of the Group. As for the solar farm, it is an addition to the solar power stations in Northwest China to further increase the Group's solar power capacity. Taking into account the growth potential of the renewable energy sector, the high quality of the assets of the Target Companies and the current portfolio of the Group, the Directors consider that the Acquisitions are in line with the Group's principal businesses, and that it is in the interests of the Company and the Shareholders.

The Acquisitions are in line with the Group's strategy to strengthen its financial performance while the Group seeks to expand its portfolio of power generation projects. It is the Group's strategy to identify suitable investment opportunity to acquire the wind power projects and photovoltaic projects with good prospects, potential for stable returns and environmental effectiveness. As at the date of this announcement, the project owned by Shuifa Energy (Tongyu) has already been completed and commissioned and is currently fully operational and generating revenue. Taking into account the installed capacity, operation period, tariff and annual power generation of the project owned by Shuifa Energy (Tongyu), the Directors consider that the Share Transfers shall enable the Group to further expand its scale of business in the wind energy sector, present a good opportunity for the Group's long-term development and enhance return to Shareholders. As at the date of this announcement, while some of the photovoltaic projects of Shuifa Clean Energy are under construction or with construction work to be commenced, there are two photovoltaic projects which are already in operation and, generating income for Shuifa Clean Energy. The Directors are optimistic about the prospect of the business of photovoltaic power generation, the development of which are expected to continue over the coming years. The Directors are of the view that the Share Subscription signifies the furtherance of the Group's initiative into the photovoltaic power sector in the PRC and presents a good opportunity for the Group to expand its scale of business in the solar energy sector in the PRC.

Considering that the Acquisitions are in line with the future development plans of the Group, and the Target Companies are fully operational and are income-generating, the Directors (excluding the independent non-executive Directors whose views will be set out in the circular) are of the view that the terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement, the Acquisitions and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or are otherwise related. Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Share Transfers and the Share Subscription (whether on a standalone basis or when aggregated with the Previous Transactions under Rule 14A.81 of the Listing Rules) are greater than 25% but less than 100% as calculated under Rule 14.07 of the Listing Rules, the Acquisitions constitute a major transaction under Chapter 14 of the Listing Rules.

As at the date of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement, Shuifa Energy is the controlling shareholder of the Company indirectly holding 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital of the Company. As at the date of the Share Transfer Agreements, since Shuifa Group, directly wholly owns Shuifa Energy and directly owns 64.07% of Shuifa Zhongxing Group Co., Ltd. which in turn holds 51% of the issued share capital of Shuifa Fengyuan Energy, Shuifa Fengyuan Energy is an associate of Shuifa Group. Accordingly, both Shuifa Energy and Shuifa Fengyuan Energy are connected persons of the Company, and the Share Transfers constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of the Share Subscription Agreement and the Supplemental Share Subscription Agreement, Shuifa Energy directly holds approximately 98.55% of the equity interest of Shuifa Clean Energy. Shuifa Clean Energy is an associate of Shuifa Energy and therefore a connected person of the Company. Accordingly, the Share Subscription constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

Therefore, the Acquisitions constitute a major (when aggregated with the Previous Transactions) and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and are thereby subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

Since (i) Mr. Zheng Qingtao is an executive Director and the chairman of the Board who is also the chairman of the board of directors of Shuifa Energy; and (ii) Ms. Li Li is a non-executive Director who is also a supervisor of Shuifa Energy, Mr. Zheng Qingtao and Ms. Li Li are considered to have material interests and had abstained from voting at the Board meeting with respect to the review and approval of the Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement, the Acquisitions and the transactions contemplated thereunder. Save as disclosed above, none of the Directors who attended the Board meeting has a material interest in the Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement, the Acquisitions and the transactions contemplated thereunder.

As the valuations of Shuifa Energy (Tongyu) and Shuifa Clean Energy in the Valuation Report I and Valuation Report II, respectively, were prepared based on, among others, income approach on the basis of discounted cash flows, such valuations are regarded as profit forecasts under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and Paragraph 29(2) of Appendix 1B of the Listing Rules as to the profit forecast requirements regarding the Valuation Reports in the Company's announcement and circular in relation to the Acquisitions (“**Waiver**”) on the following bases:

- (a) Shuifa Energy and Shuifa Fengyuan Energy (in the case of the Share Transfers) and Shuifa Clean Energy (in the case of the Share Subscription) were obliged to prepare such report in compliance with the applicable PRC laws, rules and regulations;
- (b) no members of the Group were involved in preparing the Valuation Reports;
- (c) the basis of consideration of the Share Transfers and the Share Subscription will be determined based on, among other things, the preliminary valuations prepared by another Hong Kong valuer (i.e. the Valuer); and
- (d) it would be unduly burdensome for the Company to comply with the profit forecast requirements when the Valuation Reports were prepared on behalf of Shuifa Energy and Shuifa Fengyuan Energy (in the case of the Share Transfers) and Shuifa Clean Energy (in the case of the Share Subscription).

The Stock Exchange has granted the Waiver on 7 December 2022. The Stock Exchange may withdraw or change it if the Company's situation changes.

GENERAL

An Independent Board Committee, comprising all the independent non-executive Directors, Dr. Wang Ching, Mr. Yick Wing Fat, Simon and Dr. Tan Hongwei, has been formed to consider the terms of the Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement.

INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisitions.

The SGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the Acquisitions and the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement. Shuifa Group and its associates will abstain from voting for the resolutions regarding the Acquisitions, the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement at the SGM. Save for as set out above, as at the date of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement, to the best of knowledge of the Directors, no other Shareholders would be required to abstain from voting at the SGM.

A circular containing, among others, (i) the material terms of and further information in relation to the Acquisitions; (ii) the recommendation and advice of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules together with a notice convening the SGM, is expected to be dispatched to the Shareholders on or before 28 February 2023 since additional time is required for the preparation of the circular.

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 Share Transfer Agreements, the Share Subscription Agreement and the Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisitions”	Share Transfer I, Share Transfer II and the Share Subscription;
“Auditor”	Da Hua Certified Public Accountants (Special General Partnership);
“Auditor’s Report I”	the auditor’s report for the period from 28 January 2021 (i.e. date of establishment of Shuifa Energy (Tongyu)) to 31 December 2021 prepared by the Auditor in relation to the audited financial accounts of Shuifa Energy (Tongyu);
“Auditor’s Report II”	the auditor’s report for the year ended 31 December 2021 prepared by the Auditor in relation to the audited financial accounts of Shuifa Clean Energy;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	China Shuifa Singyes Energy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 750);
“Completions”	the completion of the Acquisitions pursuant to the Share Transfer Agreements and the Share Subscription Agreement, or completion of any one of them as the context may require;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Financial Lease Agreement I”	the financial lease agreement between Shuifa Energy (Tongyu) and Huaneng Tiancheng, contract number being HT-ZZ-2021124;
“Financial Lease Agreement II”	the financial lease agreement between Shuifa Energy (Tongyu) and Huaneng Tiancheng, contract number being HT-HZ-2021168;
“Group”	at any time, the Company and each of its subsidiaries from time to time;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huaneng Tiancheng”	Huaneng Tiancheng Financial Leasing Co., Ltd. (華能天成融資租賃有限公司), the pledgee of 100% equity interest in Shuifa Energy (Tongyu);
“Hunan Shuifa Singyes”	Hunan Shuifa Singyes Green Energy Co., Ltd.* (湖南興業綠色能源股份有限公司), a wholly-owned subsidiary of the Company;
“INCU Corporate Finance Limited” or “Independent Financial Adviser”	INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, established for the purpose of advising the Independent Shareholders, on the terms of the Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement and the Acquisitions and the transactions contemplated thereunder;

“Independent Shareholders”	Shareholders other than Shuifa Group and its associates who have a material interest in the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement;
“Linre New Energy”	Zibo Linre New Energy Co., Ltd.* (淄博臨熱新能源有限公司), a company holding approximately 1.45% shares of Shuifa Clean Energy as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Previous Transactions”	the acquisition of 100%, 86% and 68% equity interest in Heze Kaifan Shuifa Guangyao New Energy Co., Ltd.* (荷澤開發區水發光耀新能源有限公司), Xintaishi Zhongmu New Energy Technology Co., Ltd.* (新泰市中穆新能源科技有限公司) and Dongying Tianze New Energy Technology Co., Ltd.* (東營天澤新能源科技有限公司), respectively by Hunan Shuifa Singyes, under the respective sale and purchase agreements. Please refer to the announcement of the Company dated 30 September 2021 and the circular of the Company dated 19 November 2021 for details;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened for approving, among other things, the Acquisitions and the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement;

“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Share Transfer I”	the share transfer of 24% equity interest in Shuifa Energy (Tongyu) for a consideration of RMB294,779,800 (equivalent to approximately HK\$330,153,376) as contemplated under Share Transfer Agreement I;
“Share Transfer I Completion Date”	the date of completion of Share Transfer I;
“Share Transfer I CPs”	the conditions precedent for Share Transfer I as stipulated in Share Transfer Agreement I;
“Share Transfer II”	the share transfer of 16% equity interest in Shuifa Energy (Tongyu) for a consideration of RMB196,519,900 (equivalent to approximately HK\$220,102,288) as contemplated under Share Transfer Agreement II;
“Share Transfer II Completion Date”	the date of completion of Share Transfer II;
“Share Transfer II CPs”	the conditions precedent for Share Transfer II as stipulated in Share Transfer Agreement II;
“Share Transfers”	Share Transfer I and Share Transfer II;
“Share Transfer Agreement I”	The share transfer agreement dated 9 December 2022 between Hunan Shuifa Singyes, Shuifa Energy and Shuifa Energy (Tongyu) with respect to Share Transfer I;
“Share Transfer Agreement II”	the share transfer agreement dated 9 December 2022 between Hunan Shuifa Singyes, Shuifa Fengyuan Energy and Shuifa Energy (Tongyu) with respect to Share Transfer II;
“Share Transfer Agreements”	Share Transfer Agreement I and Share Transfer Agreement II;

“Share Subscription”	the subscription of 105,613,100 shares of Shuifa Clean Energy by Hunan Shuifa Singyes for an aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$564,227,440) as contemplated under the Share Subscription Agreement with the provision of undertakings regarding the Share Subscription by Shuifa Energy in favour of Hunan Shuifa Singyes as contemplated under the Supplemental Share Subscription Agreement;
“Share Subscription Agreement”	the share subscription agreement dated 9 December 2022 and entered into between Hunan Shuifa Singyes and Shuifa Clean Energy with respect to the Share Subscription;
“Shareholder(s)”	holder(s) of the Share(s);
“Shuifa Clean Energy”	Shuifa Clean Energy Co., Ltd.* (水發清潔能源股份有限公司), a company incorporated in the PRC with limited liability and one of the Target Companies;
“Shuifa Energy”	Shuifa Energy Group Limited* (水發能源集團有限公司), a controlling shareholder of the Company and a wholly owned subsidiary of Shuifa Group, whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration 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);
“Shuifa Energy (Tongyu)”	Shuifa Energy (Tongyu County) Co., Ltd.* (水發能源(通榆縣)有限公司), a company incorporated in the PRC with limited liability and one of the Target Companies;
“Shuifa Fengyuan Energy”	Shuifa Fengyuan Energy Co., Ltd.* (水發豐遠能源有限公司), a non wholly-owned subsidiary of Shuifa Group whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration 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);

“Shuifa Group”	Shuifa Group Co., Ltd.* (水發集團有限公司) whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration 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);
“Shuifa Zhongxing”	Shuifa Zhongxing Group Co., Ltd.* (水發眾興集團有限公司) whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration 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);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Supplemental Share Subscription Agreement”	the supplemental agreement dated 9 December 2022 and entered into between Hunan Shuifa Singyes and Shuifa Energy with respect to the undertakings regarding the Share Subscription;
“Target Companies”	Shuifa Energy (Tongyu) and Shuifa Clean Energy;
“Valuer”	Knight Frank Asset Appraisal Limited, the independent valuer;
“Valuation Reports”	means collectively, the Valuation Report I and Valuation Report II;
“Valuation Report I”	the valuation report prepared on the basis of income approach and asset-based approach in respect of Shuifa Energy (Tongyu) by a valuer in the PRC engaged by Shuifa Energy and Shuifa Fengyuan Energy in order to comply with the applicable laws, rules and regulations in the PRC;

“Valuation Report II”

the valuation report prepared on the basis of income approach and asset-based approach in respect of Shuifa Clean Energy by a valuer in the PRC engaged by Shuifa Clean Energy in order to comply with the applicable laws, rules and regulations in the PRC; and

“%”

per cent.

By order of the Board
China Shuifa Singyes Energy Holdings Limited
Zheng Qingtao
Chairman

Hong Kong, 9 December 2022

As at the date of this announcement, the executive Directors are Mr. Zheng Qingtao (Chairman), Mr. Liu Hongwei (Vice Chairman), Mr. Chen Fushan and Mr. Wang Dongwei, the non-executive Directors are Mr. Xie Wen and Ms. Li Li, and the independent non-executive Directors are Dr. Wang Ching, Mr. Yick Wing Fat, Simon and Dr. Tan Hongwei.

** for identification purpose only*