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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your shares in **China Shuifa Singyes Energy Holdings Limited** (the “Company”), you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

## 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**



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

A letter from the Board is set out on pages 8 to 48 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 49 to 50 of this circular. A letter from Red Sun Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 51 to 85 of this circular.

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 SGM or any adjournment thereof (as the case may be) is enclosed with this circular. Whether or not you propose to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 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 of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

### PRECAUTIONARY MEASURES FOR THE SGM

Please see page 1 of this circular for the measures to be implemented by the Company at the SGM to protect the attendees from the risk of infection of the Novel Coronavirus (“COVID-19”), including:

- (1) compulsory body temperature check;
- (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 prescribed compulsory quarantine may be denied entry into the meeting venue, at the discretion of the Company as permitted by the laws of Hong Kong. The Company reminds the Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the meeting in person.

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## PRECAUTIONARY MEASURES FOR THE SGM

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In view of the ongoing COVID-19 pandemic, the Company will implement necessary precautionary measures at the forthcoming SGM to ensure the health and safety of attending Shareholders, proxies and other attendees, including:

- (i) compulsory body temperature check will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time may be denied entry into the SGM venue or be required to leave the SGM venue;
- (ii) each attendee is required to prepare his/her own surgical face mask and wear the same inside the SGM venue at all times, and to maintain a safe distance between seats. Therefore, the number of seats at the SGM venue will be subject to restrictions and if necessary, the Company may restrict the number of people attending the SGM to avoid overcrowding at the venue;
- (iii) no corporate gifts will be distributed and no refreshments will be served; and
- (iv) each attendee may be asked whether (a) he/she had traveled outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed compulsory quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all attendees' health and safety, the Company reminds all Shareholders that physical attendance at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolutions at the meeting instead of attending the meeting in person, by completing and returning the enclosed form of proxy.

The Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to Shareholders and others attendees of the SGM and to comply with any requirements or recommendations of any government agencies from time to time.

The Company seeks the understanding and cooperation of all Shareholders to minimise the risk of community spread of COVID-19.

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## DEFINITIONS

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

“Acquisitions”	Shuifa Guangyao Acquisition, Xintaishi Zhongmu Acquisition and Dongying Tianze Acquisition;
“associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	China Shuifa Singyes Energy Holdings Limited (中國水發興業能源集團有限公司), a company incorporated in Bermuda with limited liability, 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 Sale and Purchase Agreements;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Cpi Ronghe”	Cpi Ronghe Financial Leasing Co., Ltd. (中電投融和融資租賃有限公司), the pledgee of 86% equity interest in Xintaishi Zhongmu pursuant to the Cpi Ronghe Financial Lease Agreement 2017 and Cpi Ronghe Financial Lease Agreement 2016;
“Cpi Ronghe Financial Lease Agreement 2016”	the finance lease (direct lease) agreement between Xintaishi Zhongmu and Cpi Ronghe, being contract number: RHZL-2016-102-180-ZMXNY and the supplemental finance lease (direct lease) agreement between Xintaishi Zhongmu and Cpi Ronghe, being contract number: RHZL-2016-102-180-ZMXNY-B2;
“Cpi Ronghe Financial Lease Agreement 2017”	the finance lease (sale and lease back) agreement between Xintaishi Zhongmu and Cpi Ronghe, being contract number: RHZL-2017-101-505-ZMXNY, together with the breakdown of rental payments (amendments);
“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

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## DEFINITIONS

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“Dongying Tianze”	Dongying Tianze New Energy Technology Co., Ltd.* (東營天澤新能源科技有限公司), one of the Target Companies;
“Dongying Tianze Acquisition”	the acquisition of 68% equity interest in Dongying Tianze for a consideration of RMB51.00 million (equivalent to 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 to the Purchaser;
“Financial Lease Agreements”	Jiangsu Financial Lease Agreement, Cpi Ronghe Financial Lease Agreement 2016, Cpi Ronghe Financial Lease Agreement 2017 and Huarun Financial Lease Agreement;
“Group”	at any time, the Company and each of its subsidiaries from time to time, and “Group Company” means any one of them accordingly;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huarun Lease”	Huarun Lease Co., Ltd.* (華潤租賃有限公司), the pledgee of 68% equity interest in Dongying Tianze pursuant to the Huarun Financial Lease Agreement;
“Huarun Financial Lease Agreement”	the finance lease agreement between Dongying Tianze and Huarun Lease, being contract number: CRL-ES-2019-008-L01;

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## DEFINITIONS

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“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 Sale and Purchase Agreements, the Acquisitions, the Transfer of Rights Agreements and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than Shuifa Energy and its associates who have a material interest in the transactions contemplated under the Sale and Purchase Agreements and Transfer of Rights Agreements;
“Jiangsu Financial”	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司), the pledgee of 100% equity interest in Shuifa Guangyao 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 printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Original Auditor”	Unitax Zhenqing Accountant Firm (Special General Partnership)* (尤尼泰振青會計師事務所(特殊普通合夥));
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	Hunan 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;
“Red Sun Capital” or “Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and 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;
“RMB”	Renminbi, the lawful currency of the PRC;

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## DEFINITIONS

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“Sale and Purchase Agreements”	Shuifa Guangyao Sale and Purchase Agreement, Xintaishi Zhongmu Sale and Purchase Agreement and Dongying Tianze Sale and Purchase Agreement;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting to be held by the Company 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. to consider and if, thought fit, approve the Acquisitions and the transactions contemplated under the Sale and Purchase Agreements;
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company;
“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;
“Shareholder(s)”	holder(s) of the Share(s);
“Shuifa Energy”	Shuifa Energy Group Limited* (水發能源集團有限公司), 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 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), one of the Target Companies;
“Shuifa Guangyao Acquisition”	the acquisition of 100% equity interest in Shuifa Guangyao for a consideration of RMB3.16 million (equivalent to approximately HK\$3.79 million) as contemplated under the Shuifa Guangyao Sale and Purchase Agreement;

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## DEFINITIONS

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“Shuifa Guangyao Completion Date”	the date of completion of Shuifa Guangyao Acquisition;
“Shuifa Guangyao CPs”	the conditions precedent for Shuifa Guangyao Acquisition as stipulated in the Shuifa Guangyao Sale and Purchase Agreement;
“Shuifa Guangyao Sale and Purchase Agreement”	the sale and purchase agreement dated 30 September 2021 between the Purchaser, the Vendor and Shuifa Guangyao with respect to the Shuifa Guangyao Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplementary Agreement to the Share Transfer Agreement of Dongying Tianze”	the supplementary agreement to the share transfer agreement 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;
“Transfer of Rights Agreements”	Xintaishi Zhongmu Transfer of Rights Agreement and 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 the Company in relation to the Acquisitions;
“Vendor”	Shandong Shuifa Clean Energy Technology Co., Ltd.* (山東水發清潔能源科技有限公司), a wholly owned subsidiary of Shuifa Energy;
“Vendor Group”	the Vendor, the Vendor’s holding company and its subsidiaries, excluding the Group;
“Xintaishi Zhongmu”	Xintaishi Zhongmu New Energy Technology Co., Ltd.* (新泰市中穆新能源科技有限公司), one of the Target Companies;
“Xintaishi Zhongmu Acquisition”	the acquisition of 86% equity interest in Xintaishi Zhongmu for a consideration of RMB49.02 million (equivalent to approximately HK\$58.82 million) as contemplated under the Xintaishi Zhongmu Sale and Purchase Agreement;



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## DEFINITIONS

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“Xintaishi Zhongmu Completion Date”	the date of completion of Xintaishi Zhongmu Acquisition;
“Xintaishi Zhongmu CPs”	the conditions precedent for Xintaishi Zhongmu Acquisition as stipulated in the Xintaishi Zhongmu Sale and Purchase Agreement;
“Xintaishi Zhongmu Sale and Purchase Agreement”	the sale and purchase agreement dated 30 September 2021 between the Purchaser, the Vendor and Xintaishi Zhongmu with respect to the Xintaishi Zhongmu Acquisition;
“Xintaishi Zhongmu Transfer of Rights Agreement”	the agreement dated 30 September 2021 between the Purchaser, the Vendor, Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu to transfer the contractual rights and obligations of the Vendor under the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project to the Purchaser;
“%”	per cent.

*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.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zheng Qingtao (Chairman)  
Mr. Liu Hongwei (Vice Chairman)  
Mr. Wang Dongwei  
Mr. Chen Fushan

*Registered Office:*

4th Floor North Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

*Non-executive Directors:*

Ms. Wang Suhui  
Ms. Li Li

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

Unit 3108, 31st Floor  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Independent non-executive Directors:*

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

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 to the signing of the Sale and Purchase Agreements, 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). Upon Completions, Shuifa Guangyao will become a wholly-owned subsidiary of the Company, and Xintaishi Zhongmu and Dongying Tianze will become non-wholly owned subsidiaries of the Company. The Acquisitions constitute discloseable and connected transactions of the Company under the Listing Rules for reasons explained below.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (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 Red Sun Capital 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, at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Acquisitions and the transactions contemplated under the Sale and Purchase Agreements.

### 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**

30 September 2021

- (1) Hunan 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, as the Purchaser;
- (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 the target company.

As at the date of the Shuifa Guangyao Sale and Purchase Agreement, the Vendor is a directly wholly owned subsidiary of Shuifa Energy, which is a controlling shareholder (and 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.

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## LETTER FROM THE BOARD

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The subject matter of the sale and purchase under the Shuifa Guangyao Sale and Purchase Agreement is 100% equity interest in Shuifa Guangyao held by the Vendor.

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:

<b>Instalment</b>	<b>Amount</b>	<b>Due date</b>
	<i>(RMB)</i>	
1	1,896,000	Within five business days after all the Shuifa Guangyao CPs are being satisfied.
2	1,264,000	

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## LETTER FROM THE BOARD

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The consideration for the Shuifa Guangyao Acquisition was determined after arm's length negotiation between the Purchaser and the Vendor by reference to, among others, the historical financial performance of Shuifa Guangyao and the assets and liabilities of Shuifa Guangyao. In addition, the Purchaser also took into account the valuation of the 100% equity interest in Shuifa Guangyao at approximately RMB9,000,000 by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

Taking into account that (i) the consideration payable for the Shuifa Guangyao Acquisition is lower than the valuation of the 100% equity interest in Shuifa Guangyao; (ii) the potential value of the power generation project solely invested and owned by Shuifa Guangyao as disclosed under the section headed "Information on Shuifa Guangyao" 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 Shuifa Guangyao Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Although the consideration payable for the Shuifa Guangyao Acquisition is 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 photovoltaic power station was not yet constructed (completed and connected to the 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 Shuifa Guangyao has increased and Shuifa Guangyao has not paid any dividends to the Vendor; and (iv) with the implementation of the Chinese government policies such as "carbon peaking" and "carbon neutrality", and due to the scarcity of land and grid-connected resources, the MW distributed photovoltaic power station 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 Shuifa Guangyao Acquisition, at a premium to the subscribed registered capital paid by the Vendor, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Purchaser shall pay the first instalment of the consideration to the Vendor within five business days after all of the following conditions precedent ("**Shuifa Guangyao CPs**") are being satisfied:

- (a) the board of directors and shareholders of the Purchaser having approved the Shuifa Guangyao Acquisition;
- (b) the Independent Shareholders having approved the transactions contemplated under the Shuifa Guangyao Sale and Purchase Agreement in accordance with the Listing Rules;

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## LETTER FROM THE BOARD

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- (c) the Vendor having completed the internal approval procedures of state-owned enterprise of the PRC in respect of the Shuifa Guangyao Acquisition, including but not limited to obtaining internal approvals from the Vendor Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) the Vendor not having materially breached any of the warranties given by it under the Shuifa Guangyao Sale and Purchase Agreement;
- (e) Jiangsu Financial having agreed to cooperate with the Vendor to discharge the pledge on 100% equity interest in Shuifa Guangyao; and
- (f) there has not been any material adverse impact on Shuifa Guangyao since 30 April 2021.

No party shall have the right to waive any of the above conditions. As at the Latest Practicable Date, condition (c) above has been satisfied.

Completion of Shuifa Guangyao Acquisition shall take place on the date of completion of all of the following (the “**Shuifa Guangyao Completion Date**”):

- (a) the submission of the relevant documents and the completion of registration with the local Administration for Industry and Commerce in respect of changes in relation to the Shuifa Guangyao Acquisition. Within three business days after the completion of registration, Shuifa Guangyao shall provide the Purchaser with the relevant supporting documents (including the new articles of association filed with the local Administration for Industry and Commerce); 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 Guangyao, various documents and Shuifa Guangyao’s assets including but not limited to fixed assets, land certificates, real estate certificates, personnel files, various certificates (business licenses, tax registration certificates, organization code certificates and other approval certificates, permit certificates, qualification certificates, approvals and 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 the Purchaser (upon confirmation, to perform the handover procedures).

It is expected that the Shuifa Guangyao Completion Date will take place within six months after the date of completion of registration of change of shareholding of 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.

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## LETTER FROM THE BOARD

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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 in Shuifa Guangyao shall not be reduced during the transition period. Within one month from the date of signing of the Shuifa Guangyao Sale and Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent audit on the transition period of Shuifa Guangyao 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 breach of its undertakings during the transition period, the consideration shall be reduced accordingly. The reduction of consideration shall follow the following formula: the amount of reduction of shareholders' equity x 100%. If, after the reduction, the amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall return the excess to the Purchaser within tBT/TT1 1 T0.5 0049ch6 (e)4a003EMC /sc (en-GB)/Me.5

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## LETTER FROM THE BOARD

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- (8) it shall not amend any provisions of Shuifa Guangyao's articles of association;
- (9) it shall not cause Shuifa Guangyao 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;
- (10) it shall not initiate or settle any litigation, arbitration or other proceedings that are material to the business of Shuifa Guangyao or involves a subject matter in excess of RMB500,000; and
- (11) it shall not elect, replace, appoint or dismiss any executive directors, supervisors and senior management.

As at 30 April 2021, the audited shareholders' equity in Shuifa Guangyao under PRC GAAP was RMB1,580,110.14. The Company is not aware of any material changes in the financial information of Shuifa Guangyao after 30 April 2021 which may affect the consideration.

- (a) The project construction formalities of Shuifa Guangyao have been duly 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 Purchase Agreement, Shuifa Guangyao has duly and timely paid the rent to Jiangsu Financial in accordance with the Jiangsu Financial Lease Agreement, and there is no dispute between the Vendor and the Purchaser in relation to the same.



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## LETTER FROM THE BOARD

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- (d) The Vendor shall be liable for any costs incurred by Shuifa Guangyao for the compliance of social insurance and provident fund contributions payment, or any adverse consequences such as disputes with the employees or administrative penalties arising from non-compliance of social insurance and provident fund contributions payment.

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

As far as the Company is aware, the due and timely payment of the rent 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.

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

**(ii) Xintaishi Zhongmu Sale and Purchase Agreement**

30 September 2021

- (1) Hunan 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, as the Purchaser;
- (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), as the target company.

As at the date of the Xintaishi Zhongmu Sale and Purchase Agreement, the Vendor is a directly wholly owned subsidiary of Shuifa Energy, which is a controlling shareholder (and therefore a connected person) of the Company 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.

The subject matter of the sale and purchase under the Xintaishi Zhongmu Sale and Purchase Agreement is 86% equity interest in Xintaishi Zhongmu held by the Vendor.

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## LETTER FROM THE BOARD

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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:

<b>Amount</b>	<b>Due date</b>
29,412,000	Upon all the Xintaishi Zhongmu CPs are being satisfied.
7,905,000	According to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, as Wang Qingchun* (王慶春) has not yet satisfied the payment conditions, a balance of RMB7,905,000 payable by the Vendor to Wang Qingchun is outstanding.  Parties agree that pursuant to the signing of the Xintaishi Zhongmu Transfer of Rights Agreement, and upon all the payment conditions are being satisfied by Wang Qingchun, the Purchaser shall pay RMB7,905,000 to Wang Qingchun directly.
11,703,000	Within six months after the date of completion of registration of the change of shareholding.

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:

- (a) Xintaishi Zhongmu being listed on the 8th batch of the national renewable energy subsidy list;
- (b) Xintaishi Zhongmu having fulfilled its obligations under the land lease contract entered with the villagers' committee and paying the land lease fee in full and on time;
- (c) obtaining the receipts for payments (including but not limited to construction fees and equipment payments) made by Xintaishi Zhongmu, 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) and Xintaishi Shilaizhen Liuzhiyuanchun Villagers' Committee\* (新泰市石萊鎮劉志園村村民委員會);

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## LETTER FROM THE BOARD

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- (e) completing the pre-construction procedures and post-construction approval procedures and other relevant procedures for the 20MW grid-connected photovoltaic power generation project; and
- (f) discharging Xintaishi Zhongmu's pledge of shares and mortgage guarantee to Tianhe New Energy Investment Co., Ltd.\* (天合新能源投资有限公司), and pledging the 15% shares in Xintaishi Zhongmu held by Wang Qingchun to Shuifa Energy.

The litigation dispute mentioned in item (d) above has been settled and Xintaishi 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 proceedings against Xintaishi Zhongmu.

Item (e) of the payment conditions above has not yet been satisfied as the 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 power generation project and to issue the corresponding safety evaluation report. As at the Latest Practicable Date, the safety evaluation report has been issued and is under the application process to obtain relevant certification from the competent authority. 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 are no other outstanding pre-construction procedures and post-construction approval procedures and other relevant procedures for the 20MW grid-connected photovoltaic power generation project under item (e) of the payment conditions above.

The maximum potential penalty for the lack of required approvals for the 20MW grid-connected photovoltaic power generation project, is less than 10% of the construction fee of the project. Further, according to the Share Transfer Agreement of 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 of the view that the risks to the Company due to the lack of required approvals for the aforementioned project is low, and are of the view that the terms of the Xintaishi Zhongmu Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Except for item (e), all other payment conditions disclosed above have 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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## LETTER FROM THE BOARD

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Taking into account that (i) the Vendor, Xintaishi Zhongmu and the Purchaser are all wholly or partially owned by the Shuifa Group; (ii) apart from the consent required from Cpi Ronghe, the equity interests in Xintaishi Zhongmu is clear, legal and valid and there is no dispute or controversy in relation to the equity interests in Xintaishi Zhongmu; and (iii) Shuifa Group has completed its internal approval procedures in relation to the Xintaishi Zhongmu Acquisition, the Directors are therefore of view that the risk of unsuccessful registration of the change of shareholding is low. Further, in the event that the registration of the change of shareholding is not completed within ten business days after all the Xintaishi Zhongmu CPs are satisfied, the Vendor has agreed to refund and/or arrange the refund of the amount of consideration already paid by the Purchaser to Vendor and/or Wang Qingchun, to the Purchaser within two business days thereafter and the Xintaishi Zhongmu Sale and Purchase Agreement and the Xintaishi Zhongmu Transfer of Rights Agreement shall be lapsed. The Directors therefore consider that the payment terms of the Xintaishi Zhongmu Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole. It is expected that the date of registration of the change of shareholding will be three business days after all the Xintaishi Zhongmu CPs are satisfied and the completion of registration will depend on the processing time of the local Administration for Industry and Commerce.

The consideration for the Xintaishi Zhongmu Acquisition was determined after arm's length negotiation between the Purchaser and the Vendor by reference to, among others, the historical financial performance of Xintaishi Zhongmu and the assets and liabilities of Xintaishi Zhongmu. In addition, the Purchaser also took into account the valuation of the 86% equity interest in Xintaishi Zhongmu at approximately RMB136,000,000 by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

Taking into account that (i) the consideration payable for the Xintaishi Zhongmu Acquisition is lower than the valuation of the 86% equity interest in Xintaishi Zhongmu; (ii) the potential value of the power generation project solely invested and owned by Xintaishi Zhongmu as disclosed under the section headed "Information on Xintaishi Zhongmu" 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 Xintaishi Zhongmu Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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Although the consideration payable for the Xintaishi Zhongmu Acquisition is 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-connected photovoltaic power generation project was not yet listed on the national 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 facilitated Xintaishi Zhongmu in engaging qualified third party agency to complete the conservation of water and soil evaluation and the safety evaluation for the 20MW grid-connected photovoltaic power generation project and to issue the corresponding evaluation reports, in which regarding the conservation of water and soil evaluation, the project has received the Certificate of Independent Acceptance of Water Conservation 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 photovoltaic power generation project. The risks of the aforementioned project is therefore lowered; (iv) the Vendor has conducted regular technical improvements and updates to the project equipment which has kept the project in better operation conditions and has increased the project's power generation and revenue; (v) after the acquisition by Vendor, the net asset value of Xintaishi Zhongmu has increased and Xintaishi Zhongmu has not paid any dividends to its shareholders; and (vi) with the implementation of the Chinese government policies such as “carbon peaking” and “carbon neutrality”, and due to the scarcity of land and grid-connected resources, the 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 consideration payable for the Xintaishi Zhongmu 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 as a whole.

The Purchaser shall pay RMB29,412,000 of the consideration to the Vendor after all of the following conditions precedent (“**Xintaishi Zhongmu CPs**”) are being satisfied:

- (a) the board of directors and shareholders of the Purchaser having approved the Xintaishi Zhongmu Acquisition;
- (b) the Independent Shareholders having approved the transactions contemplated under the Xintaishi Zhongmu Sale and Purchase Agreement in accordance with the Listing Rules;

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## LETTER FROM THE BOARD

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- (c) the Vendor having completed the internal approval procedures of state-owned enterprise of the PRC in respect of the Xintaishi Zhongmu Acquisition, including but not limited to obtaining internal approvals from the Vendor Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) the Vendor not having materially breached any of the warranties given by it under the Xintaishi Zhongmu Sale and Purchase Agreement;
- (e) Cpi Ronghe having agreed to cooperate with the Vendor to discharge the pledge on 86% equity interest in Xintaishi Zhongmu; and
- (f) there has not been any material adverse impact on Xintaishi Zhongmu since 30 April 2021.

No party shall have the right to waive any of the above conditions. As at the Latest Practicable Date, condition (c) above has been satisfied.

Completion of Xintaishi Zhongmu Acquisition shall take place on the date of completion of all of the following (the “**Xintaishi Zhongmu Completion Date**”):

- (a) the submission of the relevant documents and the completion of registration with the local Administration for Industry and Commerce in respect of changes in relation to the Xintaishi Zhongmu Acquisition. Within three business days after the completion of registration, Xintaishi Zhongmu shall provide the Purchaser with the relevant supporting documents (including the new articles of association filed with the local Administration for Industry and Commerce); 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 Xintaishi Zhongmu, various documents and Xintaishi Zhongmu’s assets including but not limited to fixed assets, land certificates, real estate certificates, personnel files, various certificates (business licenses, tax registration certificates, organization code certificates and other approval certificates, permit certificates, qualification certificates, approvals and 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 the Purchaser (upon confirmation, to perform the handover procedures).

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## LETTER FROM THE BOARD

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It is expected that the Xintaishi Zhongmu Completion Date will take place within six months after the date of completion of registration of change of shareholding of Xintaishi Zhongmu and the remaining amount of the consideration, being RMB11,703,000, will be paid by the Purchaser to the Vendor on the Xintaishi Zhongmu Completion Date.

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 Xintaishi Zhongmu shall not be reduced during the transition period. Within one month from the date of signing of the Xintaishi Zhongmu Sale and Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent audit on the transition period of Xintaishi Zhongmu 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 breach of its undertakings during the transition period, the consideration shall be reduced accordingly. The reduction of consideration shall follow the following formula: the amount of reduction of shareholders' equity x 86%. If, after the reduction, the amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall return the excess to the Purchaser within ten business days or deduct it directly from any subsequent payment to be made by the Purchaser to the Vendor. If the amount paid by the Purchaser is unable to make up the reduced consideration, it shall be made up by the Purchaser in cash. If the shareholders' equity has increased during the transition period, the increase shall belong to Xintaishi Zhongmu and the consideration will not be adjusted.

During the transition period, the Vendor undertakes that:

- (1) it shall exercise good faith in performing its management duties to ensure that Xintaishi Zhongmu'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 86% equity interests of Xintaishi Zhongmu, or create any security rights or other restrictive rights on the 86% equity interests of Xintaishi Zhongmu, and it will ensure that Xintaishi Zhongmu shall conduct its normal operations;
- (3) it shall not establish new subsidiaries or new branches;
- (4) it shall not enter into any new contract, oral or written, formal or informal,



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## LETTER FROM THE BOARD

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- (6) it shall not guarantee or indemnify others for their liabilities and obligations;
- (7) it shall not sell, leave, give, mortgage, pledge or otherwise dispose of any assets, or any interests therein;
- (8) it shall not amend any provisions of Xintaishi Zhongmu's articles of association;
- (9) it shall not cause Xintaishi Zhongmu 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;
- (10) it shall not initiate or settle any litigation, arbitration or other proceedings that are material to the business of Xintaishi Zhongmu or involves a subject matter in excess of RMB500,000; and
- (11) it shall not elect, replace, appoint or dismiss any executive directors, supervisors and senior management.

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.

- (a) The project construction formalities of Xintaishi Zhongmu have been duly completed. In the event that Xintaishi Zhongmu suffers any administrative 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 from or resulting from acts or facts already existing prior to the Xintaishi Zhongmu Completion Date, including but not limited to construction, operation, labour employment, taxation, debts (including contingent liabilities) and change of industry and commerce registration.
- (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 and provident fund contributions payment, or any adverse consequences such as disputes with the employees or administrative penalties arising from non-compliance of social insurance and provident fund contributions payment.



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## LETTER FROM THE BOARD

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- (d) In relation to the compliance of Xintaishi Zhongmu's paid-up registered capital in accordance with the law before the Xintaishi Zhongmu Completion Date, the Vendor shall be liable for any adverse consequences suffered by Xintaishi Zhongmu as a result of the conversion of dividend payable into increased registered capital, such as penalties imposed on Xintaishi Zhongmu by the tax authorities.
- (e) In relation to the compliance of Xintaishi Zhongmu's houses and buildings in applying for the real property ownership certificate in accordance with the law, if Xintaishi Zhongmu is punished by the competent authorities or is required to mandatorily demolish the house(s) that were built without approval due to its construction of properties without complying with the construction formalities, thereby affecting the production and operation of Xintaishi Zhongmu, the Vendor shall be liable for all such losses suffered by Xintaishi Zhongmu.
- (f) In relation to the compliance of Xintaishi Zhongmu in performing the Xintaishi Zhongmu Sale and Purchase Agreement in accordance with the law, the Vendor shall be liable for any losses suffered by Xintaishi Zhongmu as a result of the breach of contract in performing the Xintaishi Zhongmu Sale and Purchase Agreement.
- (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 arising from land leasing matters.
- (h) Xintaishi Zhongmu has performed its obligations under the Cpi Ronghe Financial Lease Agreement 2017, with a total rental amount of RMB48,946,251.37, in accordance with the law. Upon the signing of the Xintaishi Zhongmu Sale and Purchase Agreement, Xintaishi Zhongmu shall duly and timely pay the rent to Cpi Ronghe. Xintaishi Zhongmu warrants that there was no breach of the Cpi Ronghe 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 shall continue to perform its obligations under the Cpi Ronghe Financial Lease Agreement 2017 after the Xintaishi Zhongmu Acquisition.
- (i) Xintaishi Zhongmu has performed its obligations under the Cpi Ronghe Financial Lease Agreement 2016, with a total rental amount of RMB121,496,613.90, in accordance with the law. Upon the signing of the Xintaishi Zhongmu Sale and Purchase Agreement, Xintaishi Zhongmu shall duly and timely pay the rent to Cpi Ronghe. Xintaishi Zhongmu warrants that there was no breach of the Cpi Ronghe 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 shall continue to perform its obligations under the Cpi Ronghe Financial Lease Agreement 2016 after the Xintaishi Zhongmu Acquisition.

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## LETTER FROM THE BOARD

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The real property ownership certificate mentioned in item (d) above has been obtained and the disputes arising from land leasing matters mentioned in item (g) above have been settled.

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

Xintaishi Zhongmu has confirmed to the Company that, upon the signing of the Xintaishi Zhongmu Sale and Purchase Agreement, Xintaishi Zhongmu has duly and timely paid the rent to Cpi Ronghe under the Cpi Ronghe Financial Lease Agreement 2016 and Cpi Ronghe Financial Lease Agreement 2017.

As far as the Company is aware, the due and timely payment of the 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 effects on the financial information of Xintaishi Zhongmu which may affect the consideration for the Xintaishi Zhongmu Acquisition.

Save for the certification of the safety evaluation report as mentioned above, all necessary licenses, approvals, certificates and permits for the construction and business operation of the project under the Xintaishi Zhongmu have been obtained.

### **(iii) Dongying Tianze Sale and Purchase Agreement**

30 September 2021

- (1) Hunan 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, as the Purchaser;
- (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 the target company.

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 a controlling shareholder (and therefore a connected person) of the Company 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.

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## LETTER FROM THE BOARD

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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.

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:

<b>Instalment</b>	<b>Amount</b>	<b>Due date</b>
	<i>(RMB)</i>	
1	30,600,000	Upon all the Dongying Tianze CPs are being satisfied.
2	20,400,000	Within six months after the date of completion of registration of the change of shareholding.

Taking into account that (i) the Vendor, Dongying Tianze and the Purchaser are all wholly or partially owned by the Shuifa Group; (ii) apart from the consent required 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 of unsuccessful registration of the change of shareholding is low. Further, in the event that the registration of the change of shareholding is not completed within ten business 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 and reasonable and in the interests of the Company and its Shareholders as a whole. It is expected that the date of registration of the change of shareholding will be three business days after all the Dongying Tianze CPs are satisfied and the completion of registration will depend on the processing time of the local Administration for Industry and Commerce.

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.

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## LETTER FROM THE BOARD

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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” 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 and its Shareholders as a whole.

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 improvements and updates to the project equipment which has kept the project in better operation conditions and has increased the project’s power generation and revenue; (iv) 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 implementation of the Chinese government policies such as “carbon peaking” and “carbon neutrality”, and due to the scarcity of land and grid-connected resources, 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 as a whole.

The Purchaser shall pay the first instalment of the consideration to the Vendor after all of the following conditions precedent (“**Dongying Tianze CPs**”) are being satisfied:

- (a) the board of directors and shareholders of the Purchaser having approved the Dongying Tianze Acquisition;
- (b) the Independent Shareholders having approved the transactions contemplated under the Dongying Tianze Sale and Purchase Agreement in accordance with the Listing Rules;

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## LETTER FROM THE BOARD

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- (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 Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (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.

No party shall have the right to waive any of the above conditions. As at the Latest Practicable Date, condition (c) above has been satisfied.

Completion of Dongying Tianze Acquisition shall take place on the date of completion of all of the following (the “**Dongying Tianze Completion Date**”):

- (a) the submission of the relevant documents and the completion of registration with the local Administration for Industry and Commerce in respect of changes in relation to the Dongying Tianze Acquisition. Within three business days after the completion of registration, Dongying Tianze shall provide the Purchaser with the relevant supporting documents (including the new articles of association filed with the local Administration for Industry and Commerce); 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 Dongying Tianze, various documents and Dongying Tianze’s assets including but not limited to fixed assets, land certificates, real estate certificates, personnel files, various certificates (business licenses, tax registration certificates, organization code certificates and other approval certificates, permit certificates, qualification certificates, approvals and 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 the Purchaser (upon confirmation, to perform the handover procedures).

It is expected that the Dongying Tianze Completion Date will take place within six months after the date of completion of registration of change of shareholding of 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.

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## LETTER FROM THE BOARD

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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 breach of its undertakings during the transition period, the consideration shall be reduced accordingly. The reduction of consideration shall follow the following formula: the amount of reduction of shareholders' equity x 68%. If, after the reduction, the amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall return the excess to the Purchaser within ten business days or deduct it directly from 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:

- (1) it shall exercise good faith in performing its management duties to ensure 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 any security rights or other restrictive rights on the 68% equity interests of Dongying Tianze, and it will ensure that Dongying Tianze shall conduct its normal operations;
- (3) it shall not establish new subsidiaries or new branches;
- (4) it shall not enter into any new contract, oral or written, formal or informal, other than those entered into in the ordinary course of business, if such new contract shall result in Dongying Tianze assuming obligations or liabilities of any kind in excess of RMB500,000;
- (5) it shall not agree in writing or orally to make any loan, advance payment or act of credit, or to incur, create or assume any indebtedness, other than in the ordinary course of business;
- (6) it shall not guarantee or indemnify others for their liabilities and obligations;
- (7) it shall not sell, leave, give, mortgage, pledge or otherwise dispose of any assets, or any interests therein;
- (8) it shall not amend any provisions of Dongying Tianze's articles of association;

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## LETTER FROM THE BOARD

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- (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;
- (10) it shall not initiate or settle any litigation, arbitration or other proceedings that are material to the business of Dongying Tianze or involves a subject matter in excess of RMB500,000; and
- (11) it shall not elect, replace, appoint or dismiss any executive directors, supervisors and senior management.

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.

- (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 employment, taxation and debts (including contingent liabilities).
- (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 relationship, including but not limited to disputes with the employees or administrative penalties.
- (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 with the Huarun Financial Lease Agreement, and there was no breach of the 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.



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## LETTER FROM THE BOARD

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As far as the Company is aware, the due and timely payment of the rent 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.

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 owners, as at the date of the Sale and Purchase Agreements, are third parties independent of the Company and connected persons of the Company.

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

**(i) Jiangsu Financial Lease Agreement**

Lessor	:	Jiangsu Financial
Lessee	:	Shuifa Guangyao
Date of agreement	:	12 December 2019
Leased assets	:	2MW photovoltaic power generation system
Principal amount	:	RMB5,812,862.32
Lease period	:	From 17 December 2019 to 17 December 2025
Handling fee	:	RMB596,900 payable on 17 December 2019
Rent	:	An aggregate amount of RMB6,490,800 to be paid in 72 instalments
Repurchase consideration	:	RMB1,000 payable with the last instalment of the rent
Security deposit	:	RMB300,000 payable on 17 December 2019
Ownership of the leased assets	:	During the lease period, the ownership of the leased assets shall be vested on the lessor. Upon the expiration of the lease period, and subject to the full payment of all rent, handling fee, default interest, repurchase consideration and other fees by Shuifa Guangyao, the ownership of the leased assets shall be transferred to the lessee.



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## LETTER FROM THE BOARD

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**(ii) Cpi Ronghe Financial Lease Agreement 2016**

Lessor	:	Cpi Ronghe
Lessee	:	Xintaishi Zhongmu
Date of agreement	:	30 May 2016 (supplemented on 4 December 2017 and 10 July 2018)
Leased assets	:	A batch of photovoltaic units
Principal amount	:	RMB76,700,000
Lease period	:	From 13 June 2016 to 12 June 2026
Rent and handling fee	:	An aggregate amount of RMB121,234,824.48 payable in 41 instalments
Repurchase consideration	:	RMB100 payable before the due date of the last instalment of the rent
Ownership of the leased assets	:	During the lease period, the ownership of the leased assets shall be vested on the lessor. Upon the expiration of the lease period, and subject to the due performance of lessee's obligations under the Cpi Ronghe Financial Lease Agreement 2016 and the payment of the repurchase consideration, the ownership of the leased assets shall be transferred to the lessee.

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## LETTER FROM THE BOARD

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### (iii) Cpi Ronghe Financial Lease Agreement 2017

Lessor	:	Cpi Ronghe
Lessee	:	Xintaishi Zhongmu
Date of agreement		5 December 2017 (supplemented on 12 April 2018)
Leased assets	:	Equipment listed in Appendix 1 of the Cpi Ronghe Financial Lease Agreement 2017
Principal amount		RMB31,650,000
Lease period	:	From 20 December 2017 to 19 December 2027
Rent and handling fee	:	An aggregate amount of RMB48,946,251.37 payable in 41 instalments
Repurchase consideration		RMB100 payable on the due date of the last instalment of the rent or the early termination date of the Cpi Ronghe Financial Lease Agreement 2017
Ownership of the leased assets	:	During the lease period, the ownership of the leased assets shall be vested on the lessor. Upon the expiration of the lease period, and subject to the due performance of lessee's obligations under the Cpi Ronghe Financial Lease Agreement 2017 and the payment of the repurchase consideration, the ownership of the leased assets shall be transferred to the lessee.

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## LETTER FROM THE BOARD

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**(iv) Huarun Financial Lease Agreement**

Lessor	:	Huarun Lease
Lessee	:	Dongying Tianze
Date of agreement	:	28 April 2019 (supplemented on 8 April 2020)
Leased assets	:	Equipment listed in Appendix 1 of the Huarun Financial Lease Agreement
Principal amount	:	RMB150,000,000
Lease period	:	From the date of payment of the first instalment of the principal amount by lessor to lessee, for a period of 108 months
Rent	:	Approximately RMB206,017,447.80 payable in 36 instalments
Handling fee	:	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
Security deposit	:	RMB9,000,000 to be directly set-off from the principal amount payable by lessor to lessee
Repurchase consideration	:	RMB100
Ownership of the leased assets	:	During the lease period, the ownership of the leased assets shall be vested on the lessor. Upon the expiration of the lease period, and subject to the full payment of all payables by the lessee under the Huarun Financial Lease Agreement and the payment of the repurchase consideration, the ownership of the leased assets shall be transferred to the lessee.

As one of the conditions precedent for the Shuifa Guangyao Acquisition, Jiangsu Financial shall discharge the pledge on 100% equity interest in Shuifa Guangyao. Upon the completion of the Shuifa Guangyao Acquisition, the Purchaser shall pledge 100% equity interest in Shuifa Guangyao to Jiangsu Financial to guarantee the performance of the Jiangsu Financial Lease Agreement by Shuifa Guangyao.

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## LETTER FROM THE BOARD

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As one of the conditions precedent for the Xintaishi Zhongmu Acquisition, Cpi Ronghe shall discharge the pledge on 86% equity interest in Xintaishi Zhongmu. Upon the completion of the Xintaishi Zhongmu Acquisition, the Purchaser shall pledge 86% equity interest in Xintaishi Zhongmu to Cpi Ronghe to guarantee the performance of the Cpi Ronghe Financial Lease Agreement 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 Photovoltaic Power Project.
- (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 Photovoltaic Power Project.
- (c) Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu undertake that they will perform their respective obligations under the Share Transfer Agreement of Xintai Zhongmu 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 consideration. Pursuant to the transfer, the 1% equity interest of Xintaishi Zhongmu 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

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## LETTER FROM THE BOARD

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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 notice, send a written request to Shuifa Energy to release the pledge on the shares of Xintaishi Zhongmu, and Shuifa Energy shall agree to cooperate in the release procedure and within three business days from the date of Shuifa Energy's agreement to cooperate in the release procedure: (i) release the pledged shares of Xintaishi Zhongmu and (ii) pledge the shares of Xintaishi Zhongmu to the Purchaser and complete the registration of the pledge.

- (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 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 the consideration of the Xintaishi Zhongmu Acquisition.

In relation to item (d) above, Shuifa Energy, Wang Qingchun, Xintaishi Zhongmu and the Purchaser have agreed to release the shares of Xintaishi Zhongmu that are pledged to Shuifa Energy, pledge the shares of Xintaishi Zhongmu to the Purchaser and complete the registration of the pledge. The Directors are therefore of the view that the terms of the Xintaishi Zhongmu Transfer of Rights Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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 undertaken by Wang Qingchun	:	Wang Qingchun shall satisfy the payment conditions as stated under the section headed "Acquisitions".  Any losses suffered by the Vendor as a result of a breach of any representations, undertakings and warranties provided by Wang Qingchun, shall be borne by Wang Qingchun.

The signing of the Xintaishi Zhongmu Transfer of Rights Agreement is interconditional with the Xintaishi Zhongmu Acquisition.

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## LETTER FROM THE BOARD

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### 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 under such agreements in favour of the Purchaser.

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## LETTER FROM THE BOARD

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Obligations and warranties undertaken by Shandong Landi and Shandong Tianrong Ruilin : Shandong Landi and Shandong Tianrong Ruilin warrant that the annual electricity generation of the Dongjiu Tianze Photovoltaic Power Generation Station\* (東九天澤光伏電站) shall reach the value stipulated in the electricity underwriting letter.

In the event that the annual electricity generation of the 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 Landi and Shandong Tianrong Ruilin;
- (b) the Vendor and Jinan Ruipu Partnership shall be entitled to conduct a revaluation of Dongying Tianze based on the actual electricity generated by the power station, and Shandong Landi shall pay immediately upon the demand of the Vendor and Jinan Ruipu Partnership the differences of the value of Dongying Tianze as determined at the time of such revaluation and the value of 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; and
- (c) the Vendor and Jinan Ruipu Partnership shall be entitled to demand Shandong Landi to repurchase the shares of Dongying Tianze at a consideration no less than the consideration payable by the Vendor and Jinan Ruipu Partnership, and to compensate the Vendor and Jinan Ruipu Partnership for any losses suffered.

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## LETTER FROM THE BOARD

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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 in the interests of the Company and its Shareholders as a whole.

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

<b>Year</b>	<b>Annual electricity generation</b> <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 value stipulated in the electricity underwriting letter is minimal.



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## LETTER FROM THE BOARD

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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 Ruilin are (i) to establish a detailed implementation plan for the operation and maintenance of the 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 work. In the event that Shandong Tianrong Ruilin is unable to duly perform its obligations under 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 damages of no more than 10% of the annual operation and maintenance fee, which is a fixed fee of approximately RMB1,800,000 per year (except the first year of operation, being RMB1,500,000). 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 on the amount of damages, an appraisal agency may be jointly appointed by the parties to conduct an assessment to determine the amount of damages. After the amount of damages is determined, 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 Agreement, Shandong Tianrong Ruilin, being responsible for the operation and maintenance of the 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 Operation and Maintenance Escrow Agreement was therefore also listed as one of the agreements 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

Immediately after the Completions, Shuifa Guangyao will be owned by the Purchaser as to 100% and will become a wholly-owned subsidiary of the Company, and Xintaishi Zhongmu and Dongying Tianze will be owned by the Purchaser as to 86% and 68% respectively and will become non-wholly owned subsidiaries of the Company. Accordingly, the financial results of the Target Companies will be consolidated into the Company's consolidated financial statements upon the Completions.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE VENDOR

The Vendor is an investment holding company incorporated in the PRC with a primary focus on the energy business segments. It is wholly-owned by Shuifa Energy. Shuifa Energy is a company established in the PRC and a wholly-owned subsidiary of 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 (including the 2MW distributed photovoltaic power generation project as mentioned below) and renewable energy business segments in the PRC.

### INFORMATION ON THE TARGET COMPANIES

#### Information on Shuifa Guangyao

Shuifa Guangyao is a company with limited liability established in the PRC with a total registered capital of RMB1,000,000, which has been fully paid-up. Shuifa Guangyao is owned as to 100% by the Vendor.

Shuifa Guangyao is principally engaged in construction and operation of solar power projects (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**”), pursuant to which 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 shall be responsible for the construction, operation and maintenance of the distributed photovoltaic 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 30,000m<sup>2</sup>, and with an investment amount of RMB14,000,000. The project uses 6,154 photovoltaic modules, utilises a steel structure to 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 treatment plant after converging the power through the combining manifolds in order to achieve grid connection. The project adopts a “self-generating for self-use, feed excess into the 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.

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## LETTER FROM THE BOARD

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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 converting the RMB1,000,000 debt receivable from Shuifa Guangyao into equity. The Company was informed by Shuifa Guangyao that the Vendor has paid the subscribed registered capital by converting the RMB1,000,000 debt receivable from Shuifa Guangyao into equity.

### Financial information of Shuifa Guangyao

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

	<b>six months ended</b>	<b>31 December</b>	
	<b>30 June 2021</b>	<b>2020</b>	<b>2019</b>
	(audited)	(audited)	(audited)
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
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

Xintaishi Zhongmu is a company with limited liability established in the PRC 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.

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 and Purchase Agreement, is a third party independent of the Company and connected persons of the Company.

Xintaishi Zhongmu is principally engaged in investment, development, construction and management of solar photovoltaic power generation projects (including the 20MW grid-connected photovoltaic power generation project as mentioned below).

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**LETTER FROM THE BOARD**

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## LETTER FROM THE BOARD

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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) as to 95% and 5% respectively, Shandong Tianrong Ruilin was ultimately owned by Mu Ruiling\* (牟瑞玲) and 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 Sale and Purchase Agreement, are third parties independent of the Company and connected persons of the Company.

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

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, including but not limited to, the 49MW fishery-solar complementary photovoltaic grid-connected power generation system, inverter, transformer, combining manifolds and distribution facility. The 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 has entrusted Shandong Tianrong Ruilin with the operation and maintenance of the entire power plant. The average annual power generation is approximately 36 million kWh.

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## LETTER FROM THE BOARD

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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 contributions were determined by reference to, among others, the market 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.

### 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:

	<b>six months ended</b>	<b>31 December</b>	
	<b>30 June 2021</b>	<b>2020</b>	<b>2019</b>
	(audited)	(audited)	(audited)
	<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

The Purchaser 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.

The Group is a professional renewable energy solution provider and building contractor. Its main businesses are design, fabrication and installation of curtain wall, green building and solar projects (including Building Integrated Photovoltaic (BIPV) system, roof top solar system and ground moulder solar systems, collection Solar EPC). It also engages in the production and sale of renewable energy goods, including smart grid system and solar thermal products such as air-source heat pump, solar heat collectors and solar heating system. Since the year ended 31 December 2014, the Group has also self-developed solar projects some of which the Group has sold in prior years to enhance its cash flow position and allow the Group to reallocate its resources for future development.

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## LETTER FROM THE BOARD

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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.

The Group has more than six years of experience in the clean energy sector. The Group's clean energy business is supported by 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.

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## LETTER FROM THE BOARD

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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. The Target Companies are fully operational and can generate a positive income (and profit) while the Group needs not seek for investment opportunities in other new solar power projects with the risks of cost overruns, delays in completion and production and lower tariff. In addition, as the Target Companies carry out their business in Shandong province, it allows the Group to extend its solar projects footprint to Northern part of China and leverage on the resources of the Shuifa Group in Shandong province.

Considering that the Acquisitions are in line with the future development plans of the Group 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 the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisitions (when aggregated 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 transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Sale and Purchase Agreements, 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 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 each a connected person of the Company. Accordingly, the transactions contemplated under the Sale and Purchase Agreements constitute connected transactions of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors attended the Board meeting has a material interest in the Sale and Purchase Agreements, the Acquisitions and the transactions contemplated thereunder.



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## LETTER FROM THE BOARD

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### 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 consider the terms of the Sale and Purchase Agreements and the Transfer of Rights Agreements 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 Sale and Purchase Agreements and the Transfer of Rights Agreements.

Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisitions.

### SGM

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 Sale and Purchase Agreements and the Transfer of Rights Agreements. In order to determine the Shareholders who are entitled to attend and vote at the SGM, the register of the Shareholders of the Company will be closed from 1 December 2021 to 6 December 2021 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of members of the Company on 6 December 2021 are entitled to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services 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 in the transaction is required to abstain from voting in relation to the resolution. As at the Latest 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 the resolutions at the SGM in accordance with the Listing Rules. Save for as set out above, as at the Latest Practicable Date, to the best of knowledge of the Directors, no other Shareholder would be required to abstain from voting at the SGM.

A proxy form for use at SGM is enclosed. Such form of proxy is also published on the websites of the Company ([www.singyessolar.com](http://www.singyessolar.com)) and of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Whether or not you propose to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 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 of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from the Independent Financial Adviser which contains its recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Sale and Purchase Agreements and the transactions contemplated thereunder.

The Directors (including the Independent Board Committee) consider that while the entering into of the Sale and Purchase Agreements and the Transfer of Rights Agreements was not in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms and the terms of the Sale and Purchase Agreements and the Transfer of Rights Agreements are fair and reasonable and the Sale and Purchase Agreements and the Transfer of Rights Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Acquisitions.

### FURTHER INFORMATION

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

**Shareholders and potential investors should note that the Completions are subject to the Sale and Purchase Agreements and the Acquisitions may or may not proceed. Shareholders and**

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to advise you in connection with the Sale and Purchase Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to (i) the letter from the Board, as set out on pages 8 to 48 of the Circular; (ii) the letter from Red Sun Capital, as set out on pages 51 to 85 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Sale and Purchase Agreements and the Transfer of Rights Agreements and the transactions contemplated thereunder, and having taken into account the advice given by Red Sun Capital and, in particular, the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that while the entering into of the Sale and Purchase Agreements and the Transfer of Rights Agreements was not in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms and the terms of Sale and Purchase Agreements and the Transfer of Rights Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the SGM to approve the Acquisitions and the transactions contemplated under the Sale and Purchase Agreements and the Transfer of Rights Agreements.

Yours faithfully,  
The Independent Board Committee of  
**China Shuifa Singyes Energy Holdings Limited**

**Dr. Wang Ching**  
*Independent non-executive Director*

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

*Independent non-executive Director*



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## LETTER FROM RED SUN CAPITAL

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### II. THE INDEPENDENT BOARD COMMITTEE

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## LETTER FROM RED SUN CAPITAL

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### IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations contained or referred to in the Circular and the information and representations provided to us by the Group and/or the Directors and/or senior management (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Directors and/or the Management and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and 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 the markets in which they respectively operate. We have also reviewed and relied on several documents, including but not limited to, (i) the Sale and Purchase Agreements; (ii) the Transfer of Rights Agreements; (iii) the Valuation Report conducted by the Valuer commissioned by the Company; (iv) the Control Premium Study (as defined hereunder); (v) the Stout Study (as defined 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 us to reach an informed view and the Management has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. Shareholders should also note both the valuation involves various basis and assumptions and the appraised value may change if those basis and assumptions are modified.

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

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## LETTER FROM RED SUN CAPITAL

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### V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the Sale and Purchase Agreements, the Transfer of Rights Agreements and the transactions contemplated thereunder, we have taken the following principal factors and reasons into consideration:

#### 1. Information of the Group

The Group is a professional renewable energy solution provider and building contractor. Its main businesses are design, fabrication and installation of curtain wall, green building and solar projects (including Building Integrated Photovoltaic (BIPV) system, roof top solar system and ground mounter solar systems, collection Solar EPC). It also engages in the production and sale of renewable energy goods, including smart grid system and solar thermal products such as air-source heat pump, solar heat collectors and solar heating system. Since the year ended 31 December 2014, the Group has also self-developed solar projects, some of which the Group has sold in prior years to enhance its cash flow position and allow the Group to reallocate its resources for future development.

The Purchaser 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.



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## LETTER FROM RED SUN CAPITAL

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Set out below is a summary of the financial results of the Group, as extracted and summarised from the published annual report of the Group for the year ended 31 December 2020 (the “**2020 Annual Report**”) and the published interim report of the 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	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited and restated)</i>	<i>(unaudited)</i>
<b>Revenue</b>	<b>3,306,519</b>	<b>5,400,999</b>	<b>2,069,847</b>	<b>2,330,811</b>
— 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
— Rendering of design and consultation services	9,608	19,992	3,990	37,177
— Sale of electricity	132,778	129,140	62,816	74,763
— Thermal supply	—	188,709	90,117	138,602

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 billion, respectively, representing an increase of approximately 9.5%. Such increase was mainly attributable to the increase in revenue generated from the Group’s construction contracts from approximately RMB1.6 billion for the six 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 million and a profit attributable to the owners of the Company of approximately RMB96.5 million for the six months ended 30 June 2021.

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## LETTER FROM RED SUN CAPITAL

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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 increase was mainly attributable to (i) the increase in revenue generated from the 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. Revenue generated from construction contracts accounted for approximately 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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## LETTER FROM RED SUN CAPITAL

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With reference to the Fourteenth Five Year Plan, the PRC government will focus on enhancing the quality and efficacy of the overall economy with a view to attain sustainable and healthy development through, among others, (i) the improvement of supply chain modernisation\* (提升產業鏈供應鏈現代化水準); (ii) the development of strategic new industries\* (發展戰略性新興產業); (iii) the acceleration of modern service industries development\* (加快發展現代服務業); (iv) the coordination of infrastructure construction advancement\* (統籌推進基礎設施建設); and (v) the acceleration of the development of digitalisation\* (加快數位化發展). As advised by the Management, the Acquisitions enable the Group to build up a balance solar farm assets portfolio. Majority of the Group's solar farm assets are currently located in northwest part of China and Guangdong province, while the solar farms acquired in each of the Acquisitions are located in Northern part of China, it reduces the impact from grid curtailment and extreme weather condition in a specific area. It also allows the Group to exploit the underlying business opportunities in the solar energy market in the PRC as driven by the strategic policies in relation to the development and construction of infrastructure set out above, which is in line with the overall macro development as set out in the Fourteenth Five Year Plan.

In addition, according to the notice regarding the promotion of wind power and photovoltaic power published by the National Development and Reform Commission in March 2021, the PRC government has encouraged the development of renewable energy by several means, including but not limited to, (i) providing subsidy to enterprises principally engaged in renewable energy business; (ii) relevant financial institutions should recognise the importance of the development of renewable energy and proactively provide financial assistance to enterprises in renewable energy industry. Furthermore, according to the notice regarding launching the second batch of smart photovoltaic demonstrations published by the Ministry of Industry and Information Technology of the People's Republic of China in March 2021, qualified enterprises are encouraged to participate in the photovoltaic demonstrations so as to promote the expansion and application of photovoltaic power. Accordingly, it is expected that there will be sustainable development in the solar energy market in the PRC.

### **3. Information of the Target Companies**

Shuifa Guangyao is a company with limited liability established in the PRC with a total registered capital of RMB1,000,000, which has been fully paid-up. Shuifa Guangyao is owned as to 100% by the Vendor.

Shuifa Guangyao is principally engaged in construction and operation of solar power project (including the 2MW distributed photovoltaic power generation project).

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## LETTER FROM RED SUN CAPITAL

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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**”), pursuant to which 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 shall be responsible for the construction, operation and maintenance of the distributed photovoltaic 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 30,000 m<sup>2</sup>, and with an investment amount of RMB14,000,000. The project uses 6,154 photovoltaic modules, utilises a steel structure to 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 treatment plant after converging the power through the combining manifolds in order to achieve grid connection. The project adopts a “self-generating for self-use, feed excess into the 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 subscribed registered capital by converting the RMB1,000,000 debt receivable from Shuifa Guangyao into equity. The Company was informed by Shuifa Guangyao that the Vendor has paid the subscribed registered capital by converting the RMB1,000,000 debt receivable from Shuifa Guangyao into equity.

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

	<b>six months ended</b>	<b>31 December</b>	
	<b>30 June 2021</b>	<b>2020</b>	<b>2019</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
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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## LETTER FROM RED SUN CAPITAL

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Xintaishi Zhongmu is a company with limited liability established in the PRC 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).

Save as disclosed in the Letter from the Board, 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 and Purchase Agreement, is a third party independent of the Company and connected persons of the Company.

Xintaishi Zhongmu is principally engaged in investment, development, construction and management of solar photovoltaic power generation projects (including the 20MW grid-connected photovoltaic power generation project).

Xintaishi Zhongmu adopts a concept of “green energy, harmonious development” 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 generation project. The project is solely invested and owned by Xintaishi Zhongmu, and 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 the date of the Xintaishi Zhongmu Sale and Purchase Agreement, the installed capacity 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 consideration was determined by reference to, among others, the market situation at the time of the transaction.

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## LETTER FROM RED SUN CAPITAL

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Further, pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, upon meeting certain conditions, a further 1% equity interest of Xintaishi Zhongmu shall be transferred by Wang Qingchun to Shuifa Energy without consideration. Pursuant to the acquisition of 85% equity interest of Xintaishi 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.

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

	<b>six months ended</b>	<b>31 December</b>	
	<b>30 June 2021</b>	<b>2020</b>	<b>2019</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
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.

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) as to 95% and 5%, respectively, Shandong Tianrong Ruilin was ultimately owned by Mu Ruiling\* (牟瑞玲) and 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 Sale and Purchase Agreement, are third parties independent of the Company and connected persons of the Company.

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## LETTER FROM RED SUN CAPITAL

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

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, including but not limited to, the 49MW fishery-solar complementary photovoltaic grid-connected power generation system, inverter, transformer, combining manifolds and distribution facility. The 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 has entrusted Shandong Tianrong Ruilin with the operation and maintenance of the entire 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, 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 contributions were determined by reference to, among others, the market 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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## LETTER FROM RED SUN CAPITAL

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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:

	<b>six months ended</b> <b>30 June 2021</b> <i>(audited)</i> RMB	<b>31 December</b> <b>2020</b> <i>(audited)</i> RMB	<b>2019</b> <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.

As set out in the Letter from the Board, 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.

The Group has more than six years of experience in solar farm operations and currently owns more than 480MW of grid-connected solar farms within and outside the Mainland China, 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.

As the Target Companies are principally engaged in construction and operation of solar power generation projects, the principal businesses of the Target Companies are in line with the Group's existing businesses as a renewable energy solution provider and building contractor with solar farm operations.



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## LETTER FROM RED SUN CAPITAL

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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. The Target Companies are fully operational and can generate a positive income (and profit) while the Group needs not seek for investment opportunities in other new solar power projects with the risks of cost overruns, delays in completion and production and lower tariff. In addition, as the Target Companies carry out their business in Shandong province, it allows the Group to extend its solar projects footprint to Northern part of China and leverage on the resources of the Shuifa Group in Shandong province.

Considering that (i) the principal businesses of the Target Companies are in line with the Group's existing businesses; (ii) the Acquisitions are in line with the future development plans of the Group and the Target Companies are fully operational and can generate a positive income (and profit) with limited capital investment in the future; and (iii) the signing of the Transfer of Rights Agreements are interconditional with the Xintaishi Zhongmu Acquisition and Dongying Tianze Acquisition, respectively, we concur with the Directors that the terms of the Sale and Purchase Agreements, the Acquisitions and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Having considered that (i) the Target Companies already made a profit for the year 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 that the Acquisitions are in line with the business development strategy and future plan of the Group and is in the interests of the Company and its Shareholders as a whole.

### **5. Principal terms of the Sale and Purchase Agreements**

Set out below is a summary of the principal terms of each of the Sale and Purchase Agreements. For further details, please refer to the Letter from the Board.

*i. Date*

30 September 2021

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## LETTER FROM RED SUN CAPITAL

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*ii. Parties*

- (a) Hunan 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, as the Purchaser;
- (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 the target company.

As at the date of the Shuifa Guangyao Sale and Purchase Agreement, the Vendor is a directly wholly owned subsidiary of Shuifa Energy, which is a controlling shareholder (and 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*

The subject matter of the sale and purchase under the Shuifa Guangyao Sale and Purchase Agreement is 100% equity interest in Shuifa Guangyao held by the 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:

<b>Instalment</b>	<b>Amount (RMB)</b>	<b>Due date</b>
1	1,896,000	Within five business days after all the Shuifa Guangyao CPs (as defined in the Letter from the Board) are being satisfied.
2	1,264,000	Within six months after the date of completion of registration of the change of shareholding.

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## LETTER FROM RED SUN CAPITAL

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The consideration for the Shuifa Guangyao Acquisition was determined after arm's length negotiation between the Purchaser and the Vendor by reference to, among others, the historical financial performance of Shuifa Guangyao and the assets and liabilities of Shuifa Guangyao. In addition, the Purchaser also took into account the valuation of the 100% equity interest in Shuifa Guangyao at approximately RMB9.0 million by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

As stated in the Letter from the Board, apart from the consent required from Jiangsu Financial, the equity interests in Shuifa Guangyao is clear RMB9; cia ü a

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## LETTER FROM RED SUN CAPITAL

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vi. *Completion*

Details of completion of the Shuifa Guangyao Acquisition are set out in the section headed “The Acquisitions — Shuifa Guangyao Sale and Purchase Agreement” in the Letter from the Board.

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’ equity in Shuifa Guangyao shall not be reduced during the transition period. Within one month from the date of signing of the Shuifa Guangyao Sale and Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent audit on the transition period of Shuifa Guangyao 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 breach of its undertakings during the transition period, the consideration shall be reduced accordingly. The reduction of consideration shall follow the following formula: the amount of reduction of shareholders’ equity x 100%. If, after the reduction, the amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall return the excess to the Purchaser within ten business days or deduct it directly from 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 Shuifa Guangyao and the consideration will not be adjusted.

Details of the Vendor’s undertakings during the transition period are set out in section headed “The Acquisitions — Shuifa Guangyao Sale and Purchase Agreement” in the Letter from the Board.

As at 30 April 2021, the audited shareholders’ equity in Shuifa Guangyao under PRC GAAP was RMB1,580,110.14. The Company is not aware of any material changes in the financial information of Shuifa Guangyao after 30 April 2021 which may affect the consideration.

viii. *Special Agreement and Undertakings*

- (a) The project construction formalities of Shuifa Guangyao have been duly 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.

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## LETTER FROM RED SUN CAPITAL

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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 Guangyao Sale and Purchase Agreement, Shuifa Guangyao has duly 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, Shuifa Guangyao was still required to pay RMB5,048,400.00 to Jiangsu Financial, and Shuifa Guangyao shall continue to perform its obligations under the Jiangsu Financial Lease Agreement after the Shuifa Guangyao Acquisition.
- (c) The Vendor shall be liable for any losses suffered by Shuifa Guangyao arising from or resulting from acts or facts already existing prior to the Shuifa Guangyao Completion Date, including but not limited to construction, operation, labour employment, taxation and debts (including contingent liabilities).
- (d) The Vendor shall be liable for any costs incurred by Shuifa Guangyao for the compliance of social insurance and provident fund contributions payment, or any adverse consequences such as disputes with the employees or administrative penalties arising from non-compliance of social insurance and provident fund contributions payment.

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

As far as the Company is aware, the due and timely payment of the rent 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.

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

*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), a wholly-owned subsidiary of the Company, as the Purchaser;
- (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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## LETTER FROM RED SUN CAPITAL

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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), as the target company.

As at the date of the Xintaishi Zhongmu Sale and Purchase Agreement, the Vendor is a directly wholly owned subsidiary of Shuifa Energy, which is a controlling shareholder (and therefore a connected person) of the Company 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*

The subject matter of the sale and purchase under the Xintaishi Zhongmu Sale and Purchase Agreement is 86% equity interest in Xintaishi Zhongmu held 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:

<b>Instalment</b>	<b>Amount (RMB)</b>	<b>Due date</b>
1	29,412,000	Upon all the Xintaishi Zhongmu CPs (as defined in the Letter from the Board) are being satisfied.
2	7,905,000	According to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, as Wang Qingchun* (王慶春) has not yet satisfied the payment conditions, a balance of RMB7,905,000 payable by the Vendor to Wang Qingchun is outstanding.

Parties agree that pursuant to the signing of the Xintaishi Zhongmu Transfer of Rights Agreement, and upon all the payment conditions are being satisfied by Wang Qingchun, the Purchaser shall pay RMB7,905,000 to Wang Qingchun directly.

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## LETTER FROM RED SUN CAPITAL

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3	11,703,000	Within six months after the date of completion of registration of the change of shareholding.
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Details of the payment conditions to be satisfied by Wang Qingchun pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project are set out in the section headed “The Acquisitions — Xintaishi Zhongmu Sale and Purchase Agreement”.

As stated in the Letter from the Board, item (e) of the payment conditions, which stated in the payment conditions in section headed “The Acquisitions - Xintaishi Zhongmu Sale and Purchase Agreement” in the Letter from the Board, has not yet been satisfied as the 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 power generation project and to issue the corresponding safety evaluation report. As at the Latest Practicable Date, the safety evaluation report has been issued and is under the application process to obtain relevant certification from the competent authority. 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 are no other outstanding pre-construction procedures and post-construction approval procedures and other relevant procedures for the 20MW grid-connected photovoltaic power generation project under item (e) of the payment conditions.

The maximum potential penalty for the lack of required approvals for the 20MW grid-connected photovoltaic power generation project, is less than 10% of the construction fee of the project. Further, according to the Share Transfer 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 risks to the Company due to the lack of required approvals for the aforementioned project is low, and are of the view that the terms of the Xintaishi Zhongmu Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Except for item (e) as stated in the payment conditions set out in section headed “The Acquisitions - Xintaishi Zhongmu Sale and Purchase Agreement” in the Letter from the Board, all other payment conditions disclosed therein have 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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## LETTER FROM RED SUN CAPITAL

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As stated in the Letter from the Board, apart from the consent required from Cpi Ronghe, the equity interests in Xintaishi Zhongmu is clear, legal and valid and there is no dispute or controversy in relation to the equity interests in Xintaishi Zhongmu and Shuifa Group has completed its internal approval procedures in relation to the Xintaishi Zhongmu Acquisition. Further, in the event that the registration of the change of shareholding is not completed within ten business days after all the Xintaishi Zhongmu CPs are satisfied, the Vendor has agreed to refund and/or arrange the refund of the amount of consideration already paid by the Purchaser to Vendor and/or Wang Qingchun, to the Purchaser within two business days thereafter and the Xintaishi Zhongmu Sale and Purchase Agreement and the Xintaishi Zhongmu Transfer of Rights Agreement shall be lapsed. As such, we concur with the Directors' view that the risk of unsuccessful registration of the change of shareholding is low, and consider that the payment terms of the Xintaishi Zhongmu Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The consideration for the Xintaishi Zhongmu Acquisition was determined after arm's length negotiation between the Purchaser and the Vendor by reference to, among others, the historical financial performance of Xintaishi Zhongmu and the assets and liabilities of Xintaishi Zhongmu. In addition, the Purchaser also took into account the valuation of the 86% equity interest in Xintaishi Zhongmu at approximately RMB136.0 million by using the market-based approach as at 30 April 2021 by the Valuer in the Valuation Report.

Taking into account that (i) the consideration payable for the Xintaishi Zhongmu Acquisition is lower than the valuation of the 86% equity interest in Xintaishi Zhongmu; (ii) the potential value of the power generation project solely invested and owned by Xintaishi Zhongmu as disclosed under the section headed "Information on Xintaishi Zhongmu" set out in the Letter from the Board; 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" set out in the Letter from the Board, the Directors are of the view that the consideration payable for the Xintaishi Zhongmu Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

v. *Conditions Precedent*

Details of the conditions precedent under the Xintaishi Zhongmu Sale and Purchase Agreement are set out in the section headed "The Acquisitions — Xintaishi Zhongmu Sale and Purchase Agreement" in the Letter from the Board.



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## LETTER FROM RED SUN CAPITAL

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vi. *Completion*

Details of completion of the Xintaishi Zhongmu Acquisition are set out in the section headed “The Acquisitions — Xintaishi Zhongmu Sale and Purchase Agreement” in the Letter from the Board.

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’ equity in Xintaishi Zhongmu shall not be reduced during the transition period. Within one month from the date of signing of the Xintaishi Zhongmu Sale and Purchase Agreement, the Vendor and the Purchaser agree to conduct a subsequent audit on the transition period of Xintaishi Zhongmu 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 breach of its undertakings during the transition period, the consideration shall be reduced accordingly. The reduction of consideration shall follow the following formula: the amount of reduction of shareholders’ equity x 86%. If, after the reduction, the amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall return the excess to the Purchaser within ten business days or deduct it directly from any subsequent payment to be made by the Purchaser to the Vendor. If the amount paid by the Purchaser is unable to make up the reduced consideration, it shall be made up by the Purchaser in cash. If the shareholders’ equity has increased during the transition period, the increase shall belong to Xintaishi Zhongmu and the consideration will not be adjusted.

Details of the Vendor’s undertakings during the transition period are set out in section headed “The Acquisition — Xintaishi Zhongmu Sale and Purchase Agreement” in the Letter from the Board.

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*

- (a) The project construction formalities of Xintaishi Zhongmu have been duly completed. In the event that Xintaishi Zhongmu suffers any administrative penalties or any losses due to issues with the project formalities, the Vendor shall be liable for such losses suffered by Xintaishi Zhongmu.

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## LETTER FROM RED SUN CAPITAL

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- (b) The Vendor shall be liable for any losses suffered by Xintaishi Zhongmu arising from or resulting from acts or facts already existing prior to the Xintaishi Zhongmu Completion Date, including but not limited to construction, operation, labour employment, taxation, debts (including contingent liabilities) and change of industry commerce registration.
- (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 and provident fund contributions payment, or any adverse consequences such as disputes with the employees or administrative penalties arising from non-compliance of social insurance and provident fund contributions payment.
- (d) In relation to the compliance of Xintaishi Zhongmu's paid-up registered capital in accordance with the law before the Xintaishi Zhongmu Completion Date, the Vendor shall be liable for any adverse consequences suffered by Xintaishi Zhongmu as a result of the conversion of dividend payable into increased registered capital, such as penalties imposed on Xintaishi Zhongmu by the tax authorities.
- (e) In relation to the compliance of Xintaishi Zhongmu's houses and buildings in applying for the real property ownership certificate in accordance with the law, if Xintaishi Zhongmu is punished by the competent authorities or is required to mandatorily demolish the house(s) that were built without approval due to its construction of properties without complying with the construction formalities, thereby affecting the production and operation of Xintaishi Zhongmu, the Vendor shall be liable for all such losses suffered by Xintaishi Zhongmu.
- (f) In relation to the compliance of Xintaishi Zhongmu in performing the Xintaishi Zhongmu Sale and Purchase Agreement in accordance with the law, the Vendor shall be liable for any losses suffered by Xintaishi Zhongmu as a result of the breach of contract in performing the Xintaishi Zhongmu Sale and Purchase Agreement.
- (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 arising from land leasing matters.

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- (h) Xintaishi Zhongmu has performed its obligations under the Cpi Ronghe Financial Lease Agreement 2017, with a total rental amount of RMB48,946,251.37, in accordance with the law. Upon the signing of the Xintaishi Zhongmu Sale and Purchase Agreement, Xintaishi Zhongmu shall duly and timely pay the rent to Cpi Ronghe. Xintaishi Zhongmu warrants that there was no breach of the Cpi Ronghe 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 shall continue to perform its obligations under the Cpi Ronghe Financial Lease Agreement 2017 after the Xintaishi Zhongmu Acquisition.
- (i) Xintaishi Zhongmu has performed its obligations under the Cpi Ronghe Financial Lease Agreement 2016, with a total rental amount of RMB121,496,613.90, in accordance with the law. Upon the signing of the Xintaishi Zhongmu Sale and Purchase Agreement, Xintaishi Zhongmu shall duly and timely pay the rent to Cpi Ronghe. Xintaishi Zhongmu warrants that there was no breach of the Cpi Ronghe 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 shall continue to perform its obligations under the Cpi Ronghe Financial Lease Agreement 2016 after the Xintaishi Zhongmu Acquisition.

The real property ownership certificate mentioned in item (d) above has been obtained and the disputes arising from land leasing matters mentioned in item (g) above have been settled.

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

Xintaishi Zhongmu has confirmed to the Company that, upon the signing of the Xintaishi Zhongmu Sale and Purchase Agreement, Xintaishi Zhongmu has duly and timely paid the rent to Cpi Ronghe under the Cpi Ronghe Financial Lease Agreement 2016 and Cpi Ronghe Financial Lease Agreement 2017.

As far as the Company is aware, the due and timely payment of the 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 effects on the financial information of Xintaishi Zhongmu which may affect the consideration for the Xintaishi Zhongmu Acquisition.

Save for the certification of the safety evaluation report as mentioned above, all necessary licenses, approvals, certificates and permits for the construction and business operation of the project under the Xintaishi Zhongmu have been obtained.

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## LETTER FROM RED SUN CAPITAL

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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 Photovoltaic Power Project.
- (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 Photovoltaic Power Project.
- (c) Shuifa Energy, Wang Qingchun and Xintaishi Zhongmu undertake that they will perform their respective obligations under the Share Transfer Agreement of Xintai Zhongmu 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" in the Letter from the Board, 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" in the Letter from the Board, on 21 July 2021, 1% equity interest of Xintaishi Zhongmu was transferred by Wang Qingchun to the Vendor without consideration. Pursuant to the transfer, the 1% equity interest of Xintaishi Zhongmu 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 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 notice, send a written request to Shuifa Energy to release the pledge on the shares of Xintaishi Zhongmu, and Shuifa Energy shall agree to cooperate in the release procedure and within three business days from the date of Shuifa Energy's agreement to cooperate in the release procedure: (i) release the pledged shares of Xintaishi Zhongmu and (ii) pledge the shares of Xintaishi Zhongmu to the Purchaser and complete the registration of the pledge.

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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 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 the consideration of the Xintaishi Zhongmu Acquisition.

Details of the rights and obligations of the Vendor, pursuant to the Share Transfer Agreement of Xintai Zhongmu 20MW Photovoltaic Power Project, 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 in the section headed “Xintaishi Zhongmu Transfer of Rights Agreement” in the Letter from the Board.

*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), a wholly-owned subsidiary of the Company, as the Purchaser;
- (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 the target company.

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 a controlling shareholder (and therefore a connected person) of the Company 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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## LETTER FROM RED SUN CAPITAL

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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:

<b>Instalment</b>	<b>Amount (RMB)</b>	<b>Due date</b>
1	30,600,000	Upon all the Dongying Tianze CPs (as defined in the Letter from the Board) are being satisfied.
2	20,400,000	Within six months after the date of completion of registration of the change of shareholding.

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.

As stated in the Letter from the Board, apart from the consent required 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 Shuifa Group has completed its internal approval procedures in relation to the Dongying Tianze Acquisition. Further, in the event that the registration of the change of shareholding is not completed within ten business 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 registration of the change of shareholding is low, and consider that the payment terms of the Dongying Tianze Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM RED SUN CAPITAL

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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 (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” 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 reasonable and in the interests of the Company and its Shareholders as a whole.

v. *Conditions Precedent*

Details of the conditions precedent under the Dongying Tianze Sale and Purchase Agreement are set out in the section headed “The Acquisitions — 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 Agreement” in the Letter from the Board.

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 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 breach of its undertakings during the transition period, the consideration shall be reduced accordingly. The reduction of consideration shall follow the following formula: the amount of reduction of shareholders’ equity x 68%. If, after the reduction, the amount paid by the Purchaser has exceeded the reduced consideration, the Vendor shall return the excess to the Purchaser within ten business days or deduct it directly from 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.



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## LETTER FROM RED SUN CAPITAL

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

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 limited to, construction, operation, labour employment, taxation and debts (including contingent liabilities).
- (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 relationship, including but not limited to disputes with the employees or administrative penalties.
- (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 with the Huarun Financial Lease Agreement, and there was no breach of the 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.



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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.

As far as the Company is aware, the due and timely payment of the rent 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.

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

*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 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 under such agreements in favour of the Purchaser.

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 undertaken by Shandong Landi and Shandong Tianrong Ruilin in favour of 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.

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## LETTER FROM RED SUN CAPITAL

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### **6. Assessment of the consideration**

In assessing the fairness and reasonableness of the consideration for the Acquisitions, 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.

As set out in the Letter from the Board, the consideration for the Acquisitions was 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

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The Valuer identified an exhaustive list, on a best effort basis, of four listed comparable companies (the “**Comparable Companies**”) based on the criteria that (i) the principal business is related to solar photovoltaic power generation business; (ii) the major operating segment is in the PRC; (iii) there are sufficient listing and operating histories; and (iv) the financial information is available to the public. We discussed with the Valuer regarding such selection criteria and assessed the appropriateness of the Comparable Companies. Given the similar business nature and operations of the Target Companies and the Comparable Companies, in particular (i) Shuifa Guangyao is principally engaged in construction and operation of solar power project; (ii) Xintaishi Zhongmu is principally engaged in investment, development, construction and management of solar photovoltaic power generation projects; (iii) Dongying Tianze is principally engaged in construction and operation of photovoltaic power generation projects; and (iv) the business nature of the Comparable Companies as stated in the Valuation Report, and we have independently performed a search on the Comparable Companies and noted that the revenue of which were all derived from the solar related 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 comparable company is a fair and representative sample. Shareholders may refer to the Valuation Report for details in relation to the Comparable Companies.

In determining the appropriate valuation multiples for the Valuation, the Valuer has considered price-to sales, price-to-earnings, price-to-book multiples and enterprise value-to-earnings before interest and taxes (the “**EV/EBIT Multiple**”). As advised by the Valuer, after taking into account, among others, (i) the operations of the Target Companies and the Comparable Companies do not heavily depend on their assets; (ii) the price-to-sales multiples could not fully capture the cost structure of the Target Companies and the Comparable Companies; and (iii) the Target Companies and the Comparable Companies have vastly different capital structures, the EV/EBIT Multiple is considered to be the most appropriate multiple in calculating the market value of the Target Companies.

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In view of that (i) Shuifa Guangyao will become a wholly-owned subsidiary of the 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 of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (1st Quarter 2021) (the “**Control Premium Study**”) published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data. For our due diligence purpose, we have requested and 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 91 international transactions; and (ii) the median control premium was adopted in the Valuation to minimize the effect of extreme data. Given that the Control Premium Study is an independent study which is designed to assist the valuation professional in 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 determining the control premium for the Target Companies and the control premium of 21.0% applied to the Valuation is fair and reasonable.

As part of our work done, on a best effort basis, we have also reviewed circulars which satisfy the following criteria, including but not limited to, (i) the transactions are related to acquisition of equity interest of a privately held company; (ii) there are valuation reports prepared by independent valuer; (iii) the control premium is adopted at arriving the valuation of equity interest of the respective companies; (iv) the transactions are regarded as connected transaction under the Listing Rules; and (v) the dates of 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 period which we consider to be a recent and reasonable period and be demonstrative for the prevailing market practice), we noted that (i) two out of four control premium adopted at arriving the valuation of equity interest of the respective companies in respective circulars are adopted with reference to the Control Premium Study; and (ii) the control premium of 21.0% adopted fall within the range of the control premium adopted at arriving the valuation of equity interest of the respective companies in respective circulars.

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Moreover, in view of the fact that the Target Companies are private companies, the Valuer applied a marketability discount (the “**MD**”) of 15.8% to the equity interest of 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**”) by Stout Risius Ross, LLC, one of the national preeminent firms offering a broad range of financial advisory services to private and 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 that the Stout Study is an independent research study report which is designed to assist 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 and reasonable.

As part of our work done, on a best effort basis, we have also reviewed circulars which satisfy the following criteria, including but not limited to, (i) the transactions are related to acquisition of equity interest of a privately held company; (ii) there are valuation reports prepared by independent valuer; (iii) the MD is adopted at arriving the valuation of equity interest of the respective companies; (iv) the transactions are regarded as connected transaction under the Listing Rules; and (v) the dates of 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 period which we consider to be a recent and reasonable period and be demonstrative for the prevailing market practice), we noted that (i) four out of six MD adopted at arriving the valuation of equity interest of the respective companies in respective circulars are adopted with 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 respective circulars.

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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.

We noted that the consideration for the Acquisitions represents a premium to the net asset value and the original acquisition cost, however, taking into account, (i) our discussion with the Management that at the relevant time the original acquisition costs were based on the then investment criteria with different level of risk involved, hence, the different valuation; and (ii) the adoption of market-based approach versus asset-based approach which cannot capture future potential earnings of the Target Companies, details of which are set out under the paragraph headed “Valuatk

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## LETTER FROM RED SUN CAPITAL

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### VI. OPINION AND RECOMMENDATION

Having considered, among others,

- (i) the Acquisitions are in line with the Group's strategy to grow into an enterprise with a focus on clean energy business;
- (ii) the information and analysis as set out under the section headed "2. Overview of the economy and solar energy market in PRC" above;
- (iii) the reasons and the benefits of the Acquisition as set out in "4. Reasons for and benefits of the Acquisitions" above; and
- (iv) the consideration of each of the Target Companies represents a discount to the fair value of the respective Target Companies based on the Valuation Report,

we consider that although the Acquisitions are not in the ordinary and usual course of business of the Group, the Sale and Purchase Agreements, the Transfer of Rights Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Acquisitions and the transactions contemplated under the Sale and Purchase Agreements and the Transfer of Rights Agreements.

Yours faithfully,  
For and on behalf of  
**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**

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as “**Roma Appraisals**”) acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

**2. SCOPE OF WORK**

Our valuation is based on the information provided to us by the Company.

#### 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** is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

#### 5. INVESTIGATION

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Companies.

We have had discussions with the Management in relation to the development, operations and other relevant information of the Target Companies. We have also consulted other sources of financial and business information. In arriving at our opinion of value, we have relied on the completeness, accuracy and representation of operational, financial and other pertinent data and information of the Target Companies as provided by the Management to a considerable extent.

The valuation of the Target Companies requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The business nature and prospect of the Target Companies;
- The financial information of the Target Companies;
- Relevant licenses and agreements;
- The business risks of the Target Companies such as the ability in maintaining competent technical and professional personnel; and
- Investment returns of entities engaged in similar lines of business.

**6. VALUATION METHODOLOGY**

There are three generally accepted approaches to obtain the market value of the Target Companies, namely the Market-Based Approach, Income-Based Approach and Asset-Based

**6.4 Business Valuation**

In the process of valuing the Target Companies, we have taken into account of the operation and financial information of the Target Companies and conducted discussions

According to the aforementioned selection criteria and under best-effort basis, four comparable companies were selected and adopted. Details of the exhaustive list of the comparable companies adopted based on our aforementioned selection criteria were illustrated as follows:

<b>Company Name</b>	<b>Stock Code</b>	<b>Listing Location</b>	<b>Business Description</b>
Beijing Energy International Holding Co., Ltd.	686.HK	Hong Kong	Beijing Energy International Holding Co., Ltd. operates solar power plant construction businesses. The company provides solar energy projects development, solar energy projects investment, solar power plant management, and other services. The company also operates wind power station development, hydroelectric power generation, and other businesses.
Xinyi Energy Holdings Ltd.	3868.HK	Hong Kong	Xinyi Energy Holdings Ltd. operates as a renewable energy project development company. The company provides installation, construction, and maintenance of solar plant, as well as offers photovoltaic transformation systems. The company serves customers in China.

<b>Company Name</b>	<b>Stock Code</b>	<b>Listing Location</b>	<b>Business Description</b>
Jinko Power Technology Co., Ltd.	601778.CH	China	Jinko Power Technology Co., Ltd. develops, builds, finances, owns, and operates solar power plants. The company offers solar power photovoltaic power station development, investment, construction, and management services. The company also offers photovoltaic power plant project general contracting services.
CECEP Solar Energy Co., Ltd.	000591.CH	China	CECEP Solar Energy Co., Ltd. operates in the solar energy industry. The company manages solar power stations, and manufactures photovoltaic components. The company markets worldwide.

*Source: Bloomberg*

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

<b>Company Name</b>	<b>Stock Code</b>	<b>Multiple</b>
Beijing Energy International Holding Co., Ltd.	686.HK	15.59
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
<b>Median</b>		<b>18.52</b>

*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 taxes (“**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 Companies was then arrived by adjusting with the marketability discount, control premium, net cash/debt and net non-operating assets.

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 the Target Companies.

## 6.5 Marketability Discount and Control Premium

The marketability discount was the percentage difference between the private placement price per share and the market trading price per share. Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the result of the restricted stock study (the “**Research**”) published in “Stout Restricted Stock Study 2021” by Stout Risius Ross, LLC, one of the national preeminent firms offering a broad range of 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 were examined. With reference to the Research, we have adopted the median marketability 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 have not adjusted nor selected the data.

In addition, as we are considering the market value of the Target Companies from the perspective of controlling interest, the median control premium for international transaction of 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**”) published by FactSet Mergerstat, LLC., an independent information provider for merger and acquisition transaction data.

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

The calculation details in arriving at the market value of the Target Companies using the 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 adjustments on Control Premium, Marketability 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
<b>Market Value of 100% Equity Interests (Rounded)</b>	<b>11,000,000</b>

*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 adjustments on Control Premium, Marketability 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
<b>Market Value of 86% Equity Interests (Rounded)</b>	<b>175,000,000</b>

*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 adjustments on Control Premium, Marketability 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
<b>Market Value of 68% Equity Interests (Rounded)</b>	<b>118,000,000</b>

*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 available;
- The estimated earnings before interest and taxes used in arriving the market value of the 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 in the localities in which the Target Companies operates or intends to operate has or would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Target Companies operates, and the Target Companies will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Target Companies operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Companies operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Companies; and
- Interest rates and exchange rates in the localities for the operation of the Target 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;
- Relevant licenses of the Target Companies; and
- General descriptions in relation to the Target Companies.

We have discussed the details with the Management on the information provided and assumed that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

## **9. LIMITING CONDITIONS**

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Target Companies provided to us.

To the best of our knowledge, all data set forth in this report are assumed to be reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Target Companies was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the market value of the Target Companies.

We have not investigated the title to or any legal liabilities of the Target Companies, and have assumed no responsibility for the title to the Target Companies appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

## **10. REMARKS**

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Target Companies, the Company, their associated companies or the values reported herein.

**11. OPINION OF VALUE**

Based on the investigation stated above, the valuation method employed and key assumptions appended above, the market values of 100% equity interests in Shuifa Guangyao, 86% equity 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:

	<b>30 April 2021</b>
	<i>RMB</i>
100% Equity Interests in Shuifa Guangyao	11,000,000
86% Equity Interests in Xintaishi Zhongmu	175,000,000
68% Equity Interests in Dongying Tianze	118,000,000

Yours faithfully,  
For and on behalf of

**Roma Appraisals Limited**

**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS****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 Company nor allocated to the respective directors.
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 Shares under the SFO.

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 the Shares, underlying shares and debentures of the Company or any of its associated 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 (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

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 Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company 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:

Shareholder	Capacity	short position	Shares held	Approximate % of the Company (Note 1)
Strong Eagle Holdings Limited (Note 2)	Beneficial owner	Long position	202,038,750	8.01%
Water Development (HK) Holding Co., Limited (Note 3)	Beneficial owner	Long position	1,687,008,585	66.92%
	Person having a security interest in shares	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 corporation	Long position	1,867,764,057	74.09%

*Notes:*

1. The percentage is calculated on the basis of 2,521,081,780 Shares in issue as at the Latest Practicable Date.
2. 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., Limited is directly wholly owned by Shuifa Energy. Therefore, Shuifa Energy is deemed 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.
4. Shuifa Energy is directly wholly owned by Shuifa Group. Therefore, Shuifa Group is deemed 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. The ultimate controlling shareholder of Shuifa Group 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) and 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.

Save as disclosed above, no other interests required to be recorded in the register kept 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 of the Group as enlarged by the Acquisitions which is not determinable by the enlarged Group within one year without payment of compensation, other than statutory compensation.

### **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 audited accounts of the Company have been made up, acquired or disposed of by or leased to any member of the Group as enlarged by the Acquisitions, or are proposed to be acquired or disposed of by or leased to any member of the Group as enlarged by the Acquisitions.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group as enlarged by the Acquisitions subsisting at the Latest Practicable Date and which was significant in relation to the businesses of the Group as enlarged by the Acquisitions.



**5. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective close associates has any interest in any business which competes or is likely to compete with the businesses of the Group.

**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 from voting on the relevant resolutions at the SGM in accordance with the Listing Rules. Save as disclosed above, no Shareholder who is required to abstain from voting under the Listing Rules controls or is entitled to exercise control over the voting right in respect of its Shares;
- (ii) there is no voting trust, other agreement, arrangement or understanding entered into by or binding upon any such Shareholder, or any obligation or entitlement of such Shareholder, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis; and
- (iii) there is no discrepancy between such Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting right at the SGM.

**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 latest published audited accounts of the Company have been made up.

**8. EXPERT'S QUALIFICATION AND CONSENT**

The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Red Sun Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions
Roma Appraisals Limited	Independent valuation firm

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letter or report (as the case may be) in the form and context in which such letter or report is included and all references to their names in the form and context in which they respectively appear.

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

- (a) had any shareholding in any member of the Group as enlarged by the Acquisitions or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as enlarged by the Acquisitions;
- (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 financial statements of the Company have been made up, acquired, disposed of by or leased to any member of the Group as enlarged by the Acquisitions, or are proposed to be acquired or disposed of by or leased to any member of the Group as enlarged by the Acquisitions.

To the best of knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and Red Sun Capital is a third party independent of the Company and is not a connected person of the Company.

**9. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<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:

1. the Sale and Purchase Agreements;
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;
6. the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
7. the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
8. the letter from Red Sun Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Red Sun Capital” in this circular; and
9. the written consents referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix.

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**NOTICE OF SGM**

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## NOTICE OF SGM

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- (b) the Board be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Shuifa Guangyao Acquisition and any transaction contemplated under the Shuifa Guangyao Sale and Purchase Agreement (including but not limited to authorise any amendment, supplementation and/or waiver of any terms thereunder).”

2. **“THAT**

- (a) the Xintaishi Zhongmu Acquisition and the transactions contemplated under the Xintaishi Zhongmu Sale and Purchase Agreement and the Xintaishi Zhongmu Transfer of Rights Agreement be and are hereby approved; and
- (b) the Board be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Xintaishi Zhongmu Acquisition and any transaction contemplated under the Xintaishi Zhongmu Sale and Purchase Agreement and the Xintaishi Zhongmu Transfer of Rights Agreement (including but not limited to authorise any amendment, supplementation and/or waiver of any terms thereunder).”

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 Agreement be and are hereby approved; and
- (b) the Board be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers 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 (including but not limited to authorise any amendment, supplementation and/or waiver of any terms thereunder).”

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

Hong Kong, 19 November 2021

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## NOTICE OF SGM

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*Notes:*

- (a) In order to determine the right to attend the SGM, the register of members of the Company will be closed from 1 December 2021 to 6 December 2021, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the entitlement to attend and vote at the meeting, all 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.
- (b) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (d) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which 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 Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (i.e. not later than 11:00 a.m. on 4 December 2021) or any adjourned meeting. The proxy form is published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.singyessolar.com](http://www.singyessolar.com).
- (e) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (f) Where there are joint holders of any share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.