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China Shuifa Singyes Energy Holdings Limited

中國水發興業能源集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 750)

MAJOR TRANSACTION FORMATION OF LIMITED PARTNERSHIP AND DEEMED DISPOSAL OF SUBSIDIARIES

THE LIMITED PARTNERSHIP

The Board is pleased to announce that on 30 May 2022, Hunan Green Energy, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with China Cinda and Cinda Capital for the establishment of the Limited Partnership. According to the Partnership Agreement, the total amount of capital commitments of the Limited Partnership is RMB1.251 billion, of which Cinda Capital (as general partner) will contribute RMB1.00 million, while Hunan Green Energy and China Cinda (as limited partners) will contribute RMB750 million and RMB500 million, respectively.

Under the Partnership Agreement, the capital commitment of RMB750 million responsible by Hunan Green Energy will be paid by cash and the transfer of 99% equity interest in the Target Companies, including Xinjiang Xingye and Wuwei Dongrun, to the Limited Partnership. The Target Companies principally develop and engage in several photovoltaic power generation projects and own certain photovoltaic assets. The Target Companies are wholly owned by Hunan Green Energy and are indirect wholly-owned subsidiaries of the Company as at the date of this announcement.

Following the establishment of the Limited Partnership, the Limited Partnership will further invest into the Target Companies through capital injection, and the Limited Partnership will effectively own 99.38% equity interest in Xinjiang Xingye and 99.48% equity interest in Wuwei Dongrun.

The transfer of equity interest in the Target Companies from Hunan Green Energy to the Limited Partnership and the further capital injection into the Target Companies by the Limited Partnership constitute deemed disposal of subsidiaries by the Company as the effective interest held by the Company will be reduced from 100% to 60.20% in Xinjiang Xingye and from 100% to 60.16% in Wuwei Dongrun.

Upon the establishment of the Limited Partnership, the Limited Partnership and the Target Companies will be accounted for as subsidiaries of the Company, and their results will be consolidated into the Group's financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Partnership Agreement (including the establishment of the Limited Partnership and the deemed disposal of subsidiaries by the Company) exceed 25% but less than 75%, the entering into of the Partnership Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

Since no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Partnership Agreement, the Company has obtained a written approval approving the Partnership Agreement in lieu of holding general meeting pursuant to Rule 14.44 of the Listing Rules from its controlling Shareholder, Water Development, which holds, as at the date of this announcement, 1,687,008,585 Shares in the Company (representing approximately 66.92% of the total issued share capital of the Company) carrying rights to vote at a general meeting. Therefore, no general meeting of the Company will be convened to approve the Partnership Agreement.

A circular to Shareholders containing, among other things, further information in respect of the transactions contemplated under the Partnership Agreement will be despatched to the Shareholders on or before 20 June 2022.

THE LIMITED PARTNERSHIP

The Board is pleased to announce that on 30 May 2022, Hunan Green Energy, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with China Cinda and Cinda Capital for the establishment of the Limited Partnership. According to the Partnership Agreement, the total amount of capital commitments of the Limited Partnership is RMB1.251 billion, of which Cinda Capital (as general partner) will contribute RMB1.00 million, while Hunan Green Energy and China Cinda (as limited partners) will contribute RMB750 million and RMB500 million, respectively.

THE PARTNERSHIP AGREEMENT

The principal terms of the Partnership Agreement are summarised below.

Date:	30 May 2022
Name of the Limited Partnership:	南京信發能股權投資合夥企業(有限合夥) (Nanjing Xinfaneng Equity Investment Partnership (Limited Partnership)*)
Partners:	General partner: Cinda Capital Limited partners: (1) China Cinda (2) Hunan Green Energy

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Cinda Capital and China Cinda and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Purpose of the Limited Partnership:	The purpose of the Limited Partnership is to invest into the Target Companies and manage and utilise the assets of the Target Companies. The Target Companies, including Xinjiang Xingye and Wuwei Dongrun, principally develop and engage in several photovoltaic power generation projects and own certain photovoltaic assets.
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Term of the Limited Partnership:

The term of the Limited Partnership shall be five (5) years commencing from the date of issue of the business licence of the Limited Partnership. Subject to any extension of the term to be agreed by the partners, the Limited Partnership will be terminated upon expiration of the term.

The Limited Partnership shall be terminated under the following events:

- (1) consent of all partners in the Limited Partnership to dissolve;
- (2) the term of the Limited Partnership has been expired and no extension of the term has been agreed by the partners;
- (3) the general partner is removed or withdraws from the Limited Partnership and no new general partner is brought in accordance with the Partnership Agreement;
- (4) breach of the Partnership Agreement by one or more of the limited partners;
- (5) the business licence of the Limited Partnership has been revoked or the Limited Partnership has been ordered to be closed or dissolved according to law;
- (6) the objectives of the Limited Partnership have already been achieved and the investments of the partners have been withdrawn; and
- (7) any legal or other reasons to dissolve under the Partnership Agreement.

Committed capital contribution:

The total amount of capital commitments of the partners to the Limited Partnership under the Partnership Agreement is RMB1.251 billion.

Cinda Capital (as general partner) will be contributing RMB1 million (representing approximately 0.08% of the total commitments). Cinda Capital shall make the contribution of RMB1 million by way of cash before 19 April 2024.

China Cinda (as limited partner) will be contributing RMB500 million (representing approximately 39.97% of the total commitments). China Cinda shall make the contribution of RMB500 million by way of cash before 19 April 2024.

Hunan Green Energy (as limited partner) will be contributing RMB750 million (representing approximately 59.95% of the total commitments), of which RMB571.23 million will be satisfied by the transfer of 99% equity interest in Xinjiang Xingye to the Limited Partnership, RMB147.51 million will be satisfied by the transfer of 99% equity interest in Wuwei Dongrun to the Limited Partnership, and the remaining RMB31.26 million will be paid by cash. Hunan Green Energy shall make the contribution of RMB750 million before 19 April 2024.

The amount of capital contribution by each partner are determined after arm's length negotiations among Cinda Capital, China Cinda and Hunan Green Energy having taken into account, among other things, the business prospect of the Target Companies and the proposed amount of investment into the Target Companies as agreed between the partners, which amount will be used as working capital for the expansion of the photovoltaic power generation business of the Target Companies.

It is expected that the capital commitment payable in cash by Hunan Green Energy will be funded by internal resources of the Group.

The Limited Partnership and the Target Companies will be accounted for as subsidiaries of the Company, and their results will be consolidated into the Group's financial statements.

Management of the Limited Partnership:

Cinda Capital, the general partner, will be the executive partner of the Limited Partnership and will be responsible for the operation and management of the Limited Partnership and act on behalf of the Limited Partnership externally.

The executive partner will be entitled to receive a management fee payable quarterly from the Limited Partnership calculated at the annual rate of 0.3% of the balance of the paid-up capital contribution of China Cinda, i.e. the original amount of paid-up capital contributed by China Cinda minus the amount of fund returned or distributed from the Limited Partnership to China Cinda from time to time.

The executive partner has the sole right to decide and direct the Limited Partnership to execute or act on certain affairs in respect of the Limited Partnership, except for matters stipulated under the Partnership Agreement which require approval in the partners' meeting or in the investment decision committee.

The other partners shall have the authority to monitor and supervise the execution of the affairs in the Limited Partnership by the executive partner.

Partners' meeting:

A partners' meeting shall be composed of all partners in the Limited Partnership. The partners' meeting shall be convened at least once a year and presided over by the executive partner. At the partners' meeting, the partners shall exercise their voting rights in accordance with the proportion of their paid-up capital contributions. Matters to be discussed at the partners' meeting shall be approved by the partners with 50% or more of the actual paid-up capital contributed by all partners to the Limited Partnership.

Investment into the Target Companies:

Upon establishment of the Limited Partnership and the transfer of 99% equity interest in the Target Companies to the Limited Partnership by Hunan Green Energy as part of the capital commitments, the Limited Partnership shall make the following further investment in the Target Companies:

- (1) The Limited Partnership shall make an additional capital contribution of RMB360 million in Xinjiang Xingye to subscribe for an increased registered capital of RMB273.44 million in Xinjiang Xingye. After the capital injection, the registered capital of Xinjiang Xingye will be increased from RMB438.27 million to RMB711.71 million and the Limited Partnership will effectively own 99.38% equity interest in Xinjiang Xingye. The remaining 0.62% equity interest will be owned by Hunan Green Energy and the effective interest held by the Company in Xinjiang Xingye will be 60.2%.

- (2) The Limited Partnership shall make an additional capital contribution of RMB140 million in Wuwei Dongrun to subscribe for an increased registered capital of RMB4.70 million in Wuwei Dongrun. After the capital injection, the registered capital of Wuwei Dongrun will be increased from RMB5 million to RMB9.70 million and the Limited Partnership will effectively own 99.48% equity interest in Wuwei Dongrun. The remaining 0.52% equity interest will be owned by Hunan Green Energy and the effective interest held by the Company in Wuwei Dongrun will be 60.16%.

The Limited Partnership will establish an investment decision committee to decide and direct the Limited Partnership to exercise any shareholder rights of the Limited Partnership as a shareholder of the Target Companies.

The investment decision committee will consist of five members, of which one member will be appointed by Cinda Capital, one member will be appointed by China Cinda and three members will be appointed by Hunan Green Energy. Any matters or affairs relating to exercising any shareholder rights in the Target Companies shall be approved by more than 50% of votes from the members of the committee.

No other investment except the above or except being further approved by the investment decision committee shall be made by the Limited Partnership. The executive partner of the Limited Partnership will conduct valuation of the equity interest held by the Limited Partnership in the Target Companies every half year.

Distribution of investment proceeds and loss sharing:

The profit of the Limited Partnership will be distributed or shared upon further agreement among all partners.

In the event that the Limited Partnership incurs losses, the losses shall be borne with the assets of the Limited Partnership and shared upon further agreement among all partners. Any liability incurred by the Limited Partnership shall first be borne with the assets of the Limited Partnership, and any outstanding liability shall be borne by the limited partners with amount up to their total capital contributions and by the general partner with unlimited liability.

Withdrawal of interest in the Limited Partnership:

Subject to the provisions of the Partnership Agreement, a partner may withdraw its interests from the Limited Partnership without adversely affecting the operation of the Limited Partnership. Such partner shall notify the other partners 30 days in advance.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is a company incorporated in Bermuda with limited liability. The Group is a professional renewable energy and green construction solution provider. Its principal businesses are design, construction, operation and maintenance of curtain wall, green building and renewable energy projects (including Building Integrated Photovoltaic (BIPV), distributable and concentrated solar projects and wind power projects). The Group also engages in certain solar power station projects which provide stable cash flow for the Group.

Hunan Green Energy

Hunan Green Energy is an indirect wholly-owned subsidiary of the Company. Hunan Green Energy was established in February 2013. Its principal businesses are the development, investment and operation of clean energy projects (including photovoltaics, wind power, energy storage, etc.). It is the Group's holding platform for clean energy assets.

Cinda Capital

Cinda Capital is a company established under the laws of the PRC with limited liability and is principally engaged in the provision of private equity fund management services and consultancy services in the PRC. Cinda Capital is indirectly wholly-owned by China Cinda.

China Cinda

China Cinda is a joint stock company established under the laws of the PRC with limited liability, the H shares and preference shares of which are listed on the main board of the Stock Exchange (stock code: 1359 and 4607) and is principally engaged in distressed asset management, and provides customised financial solutions and differentiated asset management services to its clients through its diversified business platforms.

The ultimate beneficial owner of both Cinda Capital and China Cinda is the Ministry of Finance of the PRC.

The Target Companies

The Target Companies principally develop and engage in several photovoltaic power generation projects and own certain photovoltaic assets. The Target Companies are wholly owned by Hunan Green Energy and are indirect wholly-owned subsidiaries of the Company as at the date of this announcement.

Xinjiang Xingye is a limited liability company established in the PRC on 7 September 2012. The financial information of Xinjiang Xingye for the two years ended 31 December 2021 is set out below:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB '000</i>	<i>RMB '000</i>
Profit before tax	26,869	31,238
Profit after tax	24,676	27,411

The unaudited net asset value of Xinjiang Xingye as at 31 December 2021 was RMB621.4 million.

Wuwei Dongrun is a limited liability company established in the PRC on 18 September 2013. The financial information of Wuwei Dongrun for the two years ended 31 December 2021 is set out below:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB '000</i>	<i>RMB '000</i>
Profit before tax	30,832	25,755
Profit after tax	26,537	21,892

The unaudited net asset value of Wuwei Dongrun as at 31 December 2021 was RMB150.9 million.

The transfer of equity interest in the Target Companies from Hunan Green Energy to the Limited Partnership and the further capital injection into the Target Companies by the Limited Partnership constitute deemed disposal of subsidiaries by the Company as the effective interest held by the Company will be reduced from 100% to 60.20% in Xinjiang Xingye and from 100% to 60.16% in Wuwei Dongrun. Subject to final audit, the Group is expected to realise a loss on disposal of approximately RMB6.5 million upon completion of the deemed disposal.

REASONS FOR AND BENEFITS OF ESTABLISHING THE LIMITED PARTNERSHIP

The Limited Partnership will be principally engaged in equity investment. The Board considers that the establishment of the Limited Partnership and the further investment by the Limited Partnership in the Target Companies contemplated under the Partnership Agreement will enable the Target Companies to expand their business in photovoltaic power generation and the Group to benefit from a wealth of attractive investment opportunities from Cinda Capital and China Cinda and enhance the growth and development of the Group. It is contemplated that the Limited Partnership will be a new source of income for the Group.

In view of the above, the Board considers that the terms of the Partnership Agreement are on normal commercial terms and are fair and reasonable, and that the entering into of the Partnership Agreement are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Partnership Agreement (including the establishment of the Limited Partnership and the deemed disposal of subsidiaries by the Company) exceed 25% but less than 75%, the entering into of the Partnership Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDER'S APPROVAL

Since no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Partnership Agreement, the Company has obtained a written approval approving the Partnership Agreement in lieu of holding general meeting pursuant to Rule 14.44 of the Listing Rules from its controlling Shareholder, Water Development, which holds, as at the date of this announcement, 1,687,008,585 Shares in the Company (representing approximately 66.92% of the total issued share capital of the Company) carrying rights to vote at a general meeting. Therefore, no general meeting of the Company will be convened to approve the Partnership Agreement.

A circular to Shareholders containing, among other things, further information in respect of the transactions contemplated under the Partnership Agreement will be despatched to the Shareholders on or before 20 June 2022.

DEFINITIONS

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

“Board”	the board of Directors
“China Cinda”	中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.), a company established in the PRC, the H shares of which are listed on the Stock Exchange;
“Cinda Capital”	信達資本管理有限公司 (Cinda Capital Management Co., Ltd.), a company established in the PRC;
“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, and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 750)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Green Energy”	湖南水發興業綠色能源股份有限公司 (Hunan Shuifa Singyes Green Energy Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Limited Partnership”	南京信發能股權投資合夥企業(有限合夥) (Nanjing Xinfaneng Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Partnership Agreement”	the partnership agreement entered into between Hunan Green Energy and China Cinda (both as limited partner), and Cinda Capital (as general partner) on 30 May 2022 in respect of the establishment of the Limited Partnership
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Xinjiang Xingye and Wuwei Dongrun
“RMB”	Renminbi, the lawful currency of the PRC
“Water Development”	Water Development (HK) Holding Co., Limited (水發集團(香港)控股有限公司), the controlling Shareholder of the Company
“Wuwei Dongrun”	武威東潤太陽能開發有限公司 (Wuwei Dongrun Solar Energy Development Co., Ltd.*), a company established in the PRC with limited liability. It is wholly owned by Hunan Green Energy and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement.

“Xinjiang Xingye”

新疆興業新能源有限公司 (Xinjiang Xingye New Energy Co., Ltd. *), a company established in the PRC with limited liability. It is wholly owned by Hunan Green Energy and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“%”

per cent.

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

Hong Kong, 30 May 2022

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

** For identification purpose only*