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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 your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisor.

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)

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

Financial Adviser to the Company



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



INCU Corporate Finance Limited

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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 7 to 42 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 43 to 44 of this circular. A letter from INCU Corporate Finance Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 84 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 21 March 2023 at 10:00 a.m. is set out on pages 270 to 272 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 10:00 a.m. on 19 March 2023) 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 ii 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”	Share Transfer I, Share Transfer II and the Share Subscription;
“Auditor’s Report I”	the auditor’s report for the period from 28 January 2021 (i.e. date of establishment of Shuifa Energy (Tongyu)) to 31 December 2021 prepared by the PRC Auditor in relation to the audited financial accounts of Shuifa Energy (Tongyu);
“Auditor’s Report II”	the auditor’s report for the year ended 31 December 2021 prepared by the PRC Auditor in relation to the audited financial accounts of Shuifa Clean Energy;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Company”	China Shuifa Singyes Energy Holdings Limited, an exempted company incorporated in Bermuda with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 750);
“Completions”	the completion of the Acquisitions pursuant to the Share Transfer Agreements and the Share Subscription Agreement, or completion of any one of them as the context may require;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Enlarged Group”	means the Group upon completion of the transactions contemplated under the Share Transfer Agreements and the Share Subscription Agreement;
“Financial Lease Agreement I”	the financial lease agreement between Shuifa Energy (Tongyu) and Huaneng Tiancheng, contract number being HT-ZZ-2021124;
“Financial Lease Agreement II”	the financial lease agreement between Shuifa Energy (Tongyu) and Huaneng Tiancheng, contract number being HT-HZ-2021168;

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## DEFINITIONS

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“Group”	at any time, the Company and each of its subsidiaries from time to time;
“HK Auditor”	Yongtuo Fuson CPA Limited;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huaneng Tiancheng”	Huaneng Tiancheng Financial Leasing Co., Ltd. (華能天成融資租賃有限公司), the pledgee of 100% equity interest in Shuifa Energy (Tongyu);
“Hunan Shuifa Singyes”	Shuifa Green Energy Co., Ltd.* (水發綠色能源股份有限公司), formerly known as Hunan Shuifa Singyes Green Energy Co., Ltd.* (湖南水發興業綠色能源股份有限公司), a wholly-owned subsidiary of the Company;
“INCU Corporate Finance Limited” or “Independent Financial Adviser”	INCU Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, established for the purpose of advising the Independent Shareholders, on the terms of the Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement and the Acquisitions and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than Shuifa Group and its associates who have a material interest in the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement;
“Latest Practicable Date”	24 February 2023, the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;
“Linre New Energy”	Zibo Linre New Energy Co., Ltd.* (淄博臨熱新能源有限公司), a company holding approximately 1.45% shares of Shuifa Clean Energy as at the Latest Practicable Date;

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“PRC Auditor”	Da Hua Certified Public Accountants (Special General Partnership);
“Previous Transactions”	the acquisition of 100%, 86% and 68% equity interest in Heze Kaifaqu Shuifa Guangyao New Energy Co., Ltd.* (菏澤開發區水發光耀新能源有限公司), Xintaishi Zhongmu New Energy Technology Co., Ltd.* (新泰市中穆新能源科技有限公司) and Dongying Tianze New Energy Technology Co., Ltd.* (東營天澤新能源科技有限公司), respectively by Hunan Shuifa Singyes, under the respective sale and purchase agreements. Please refer to the announcement of the Company dated 30 September 2021 and the circular of the Company dated 19 November 2021 for details;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened for approving, among other things, the Acquisitions and the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement;
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company;
“Share Transfer I”	the share transfer of 24% equity interest in Shuifa Energy (Tongyu) for a consideration of RMB294,779,800 (equivalent to approximately HK\$333,101,174 as contemplated under Share Transfer Agreement I;
“Share Transfer I Completion Date”	the date of completion of Share Transfer I;
“Share Transfer I CPs”	the conditions precedent for Share Transfer I as stipulated in Share Transfer Agreement I;

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## DEFINITIONS

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“Share Transfer II”	the share transfer of 16% equity interest in Shuifa Energy (Tongyu) for a consideration of RMB196,519,900 (equivalent to approximately HK\$222,067,487) as contemplated under Share Transfer Agreement II;
“Share Transfer II Completion Date”	the date of completion of Share Transfer II;
“Share Transfer II CPs”	the conditions precedent for Share Transfer II as stipulated in Share Transfer Agreement II;
“Share Transfers”	Share Transfer I and Share Transfer II;
“Share Transfer Agreement I”	The share transfer agreement dated 9 December 2022 between Hunan Shuifa Singyes, Shuifa Energy and Shuifa Energy (Tongyu) (as amended and supplemented by a supplemental agreement dated 24 February 2023 and entered into among Hunan Shuifa Singyes, Shuifa Energy and Shuifa Energy (Tongyu)) with respect to Share Transfer I;
“Share Transfer Agreement II”	the share transfer agreement dated 9 December 2022 between Hunan Shuifa Singyes, Shuifa Fengyuan Energy and Shuifa Energy (Tongyu) (as amended and supplemented by a supplemental agreement dated 24 February 2023 and entered into among Hunan Shuifa Singyes, Shuifa Fengyuan Energy and Shuifa Energy (Tongyu)) with respect to Share Transfer II;
“Share Transfer Agreements”	Share Transfer Agreement I and Share Transfer Agreement II;
“Share Subscription”	the subscription of 105,613,100 shares of Shuifa Clean Energy by Hunan Shuifa Singyes for an aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$569,265,185) as contemplated under the Share Subscription Agreement with the provision of undertakings regarding the Share Subscription by Shuifa Energy in favour of Hunan Shuifa Singyes as contemplated under the Supplemental Share Subscription Agreement;
“Share Subscription Agreement”	the share subscription agreement dated 9 December 2022 and entered into between Hunan Shuifa Singyes and Shuifa Clean Energy (as amended and supplemented by a supplemental agreement dated 24 February 2023 and entered into between Hunan Shuifa Singyes and Shuifa Clean Energy) with respect to the Share Subscription;
“Shareholder(s)”	holder(s) of the Share(s);

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## DEFINITIONS

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“Shuifa Clean Energy”	Shuifa Clean Energy Co., Ltd.* (水發清潔能源股份有限公司), a company incorporated in the PRC with limited liability and one of the Target Companies;
“Shuifa Clean Energy Group”	Shuifa Clean Energy and its subsidiaries;
“Shuifa Energy”	Shuifa Energy Group Limited* (水發能源集團有限公司), a controlling shareholder of the Company and a wholly-owned subsidiary of Shuifa Group, whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC* (山東省國有資產監督管理委員會);
“Shuifa Energy (Tongyu)”	Shuifa Energy (Tongyu County) Co., Ltd.* (水發能源(通榆縣)有限公司), a company incorporated in the PRC with limited liability and one of the Target Companies;
“Shuifa Fengyuan Energy”	Shuifa Fengyuan Energy Co., Ltd.* (水發豐遠能源有限公司), a non wholly-owned subsidiary of Shuifa Group whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC* (山東省國有資產監督管理委員會);
“Shuifa Group”	Shuifa Group Co., Ltd.* (水發集團有限公司) whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC* (山東省國有資產監督管理委員會);
“Shuifa Zhongxing”	Shuifa Zhongxing Group Co., Ltd.* (水發眾興集團有限公司) whose ultimate controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC* (山東省國有資產監督管理委員會);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Supplemental Share Subscription Agreement”	the supplemental agreement dated 9 December 2022 and entered into between Hunan Shuifa Singyes and Shuifa Energy with respect to the undertakings regarding the Share Subscription;



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## DEFINITIONS

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“Target Companies”	Shuifa Energy (Tongyu) and Shuifa Clean Energy;
“Valuer”	Knight Frank Asset Appraisal Limited, the independent valuer;
“Valuation Reports”	means collectively, the Valuation Report I and Valuation Report II;
“Valuation Report I”	the valuation report prepared on the basis of income approach and asset-based approach in respect of Shuifa Energy (Tongyu) by a valuer in the PRC engaged by Shuifa Energy and Shuifa Fengyuan Energy in order to comply with the applicable laws, rules and regulations in the PRC;
“Valuation Report II”	the valuation report prepared on the basis of income approach and asset-based approach in respect of Shuifa Clean Energy by a valuer in the PRC engaged by Shuifa Clean Energy in order to comply with the applicable laws, rules and regulations in the PRC; and
“%”	per cent.

*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\$1.13 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. Xie Wen  
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

28 February 2023

*To the Shareholders*

Dear Sir or Madam,

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

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 9 December 2022 and 24 February 2023 in relation to (i) the entering into of the Share Transfer Agreements, pursuant to which, Hunan Shuifa Singyes has conditionally agreed to acquire and Shuifa Energy and Shuifa Fengyuan Energy have conditionally agreed to sell 24% of the equity interest and 16% of the equity interest in Shuifa Energy (Tongyu), respectively, at the aggregate consideration of RMB491,299,700 (equivalent to approximately HK\$555,168,661; and (ii) the entering into of the Share Subscription Agreement, pursuant to which Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at the aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$569,265,185).

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## LETTER FROM THE BOARD

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

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

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 INCU Corporate Finance Limited 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 Share Transfer Agreements the Share Subscription Agreement and the Supplemental Share Subscription Agreement.

### THE ACQUISITIONS

Hunan Shuifa Singyes, a wholly-owned subsidiary of the Company, entered into Share Transfer Agreements with each of Shuifa Energy and Shuifa Fengyuan Energy, and Shuifa Energy (Tongyu), whereby Hunan Shuifa Singyes has conditionally agreed to acquire and Shuifa Energy and Shuifa Fengyuan Energy have conditionally agreed to sell 24% of the equity interest and 16% of the equity interest in Shuifa Energy (Tongyu), respectively, at the aggregate consideration of RMB491,299,700 (equivalent to approximately HK\$555,168,661).

Hunan Shuifa Singyes, a wholly-owned subsidiary of the Company, entered into (i) the Share Subscription Agreement with Shuifa Clean Energy, pursuant to which Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at the aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$569,265,185); and (ii) the Supplemental Share Subscription Agreement with Shuifa Energy with respect to the undertakings regarding the Share Subscription. The principal terms of the Share Transfer Agreements, Share Subscription Agreement and the Supplemental Share Subscription Agreement are set out as follows:

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## LETTER FROM THE BOARD

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**(i) Share Transfer Agreement I**

***Date***

9 December 2022 (after trading hours) (as amended and supplemented on 24 February 2023)

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

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

As at the Latest Practicable Date, (i) all of the above conditions cannot be waived; and (ii) save for the board of directors of Hunan Shuifa Singyes and Shuifa Energy having approved the Share Transfer I, the above conditions have not been fulfilled.

***Parties***

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

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

***Subject Matter***

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

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## LETTER FROM THE BOARD

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### *Consideration*

The consideration payable by Hunan Shuifa Singyes to Shuifa Energy for Share Transfer I is RMB294,779,800 (equivalent to approximately HK\$333,101,174), which shall be payable by wire transfer by Hunan Shuifa Singyes to Shuifa Energy in three instalments as follows:

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

### *Basis of Consideration*

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

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

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## LETTER FROM THE BOARD

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### *Conditions Precedent*

Completion of Share Transfer I is conditional upon the following conditions precedent (“**Share Transfer I** **CPS**”) having been fulfilled by Hunan Shuifa Singyes and Shuifa Energy:

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

All of the conditions set out in paragraphs (a) to (g) cannot be waived in writing.

As at the Latest Practicable Date, apart from the board of directors of each of Hunan Shuifa Singyes and Shuifa Energy having approved Share Transfer I under paragraph (a), the conditions set out in paragraphs (c) and (g) above have also been fulfilled.

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## LETTER FROM THE BOARD

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

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

The condition set out in paragraph (a) above can be waived by Shuifa Energy in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

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

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

The conditions set out in paragraphs (a), (c) and (d) above can be waived by Hunan Shuifa Singyes in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

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## LETTER FROM THE BOARD

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### *Completion*

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

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

Completion of the transactions contemplated under the Share Transfer Agreement I and completion of the transactions contemplated under Share Transfer Agreement II are inter-conditional. If any condition of one of the transactions cannot be fulfilled resulting in such transaction cannot be completed, completion will not take place in respect of the other transaction.

### *Consideration Adjustment*

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



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## LETTER FROM THE BOARD

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“Shareholders’ equity being abnormally reduced” specifically refers to capital withdrawal by the shareholder(s), abnormal distribution of dividends, fictitious debt of the target company and sale of assets of the target company at a discounted price.

### *Special Agreement and Undertakings*

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

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## LETTER FROM THE BOARD

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

### FINANCIAL LEASE AGREEMENT I AND FINANCIAL LEASE AGREEMENT II

The principal terms of each of the Financial Lease Agreement I and the Financial Lease Agreement II are set out as follows:

**(i) Financial Lease Agreement I**

Lessor	:	Huaneng Tiancheng
Lessee	:	Shuifa Energy (Tongyu)
Date of agreement	:	10 August 2021
Leased assets	:	Equipment listed in Appendix 1 of the Financial Lease Agreement I, together with all their replacement parts, component parts, add-ons, spare parts and updated parts.
Principal amount	:	RMB2,500,000,000
Lease period	:	From 15 August 2021 to 15 August 2024
Rent, interests and handling fee	:	An aggregate amount of RMB2,904,432,271.66 payable in instalments based on the estimated rent payment table in Appendix II of the Financial Lease Agreement I
Repurchase consideration	:	RMB10,000
Security deposit	:	Nil

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## LETTER FROM THE BOARD

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Ownership of the leased assets : Upon the delivery of the leased assets to the lessee, the ownership of the leased assets shall be vested on the lessor.

The repurchase consideration shall be paid by the lessee to the lessor on the date of the last instalment of the rent or as otherwise agreed in accordance with the Financial Lease Agreement I. Upon the expiration of the lease period, and subject to the due performance of lessee's obligations under the Financial Lease Agreement I by the lessee, the ownership of the leased assets shall be transferred to the lessee.

### (ii) Financial Lease Agreement II

Lessor : Huaneng Tiancheng

Lessee : Shuifa Energy (Tongyu)

Date of agreement : 10 August 2021

Leased assets : Equipment listed in Appendix I of the Financial Lease Agreement II, together with all their replacement parts, component parts, add-ons, spare parts and updated parts

Principal amount : RMB500,000,000

Lease period : From 25 August 2021 to 25 August 2024

Rent, interests and handling fee : An aggregate amount of RMB580,058,260.78 payable in instalments based on the estimated rent payment table in Appendix III of the Financial Lease Agreement II

Repurchase consideration : RMB10,000

Security deposit : Nil

Ownership of the leased assets : Upon payment of the first payment for purchase of the leased assets by the lessor to the lessee, the ownership of the leased assets shall be vested on the lessor.

The repurchase consideration shall be paid by the lessee to the lessor on date of the last instalment of the rent or as otherwise agreed in accordance with the Financial Lease Agreement II. Upon the expiration of the lease period, and subject to the due performance of all the lessee's obligations under the Financial Lease Agreement II by the lessee, 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) Share Transfer Agreement II

#### *Date*

9 December 2022 (after trading hours) (as amended and supplemented on 24 February 2023)

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

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

As at the Latest Practicable Date, (i) all of the above conditions cannot be waived; and (ii) save for the board of directors of Hunan Shuifa Singyes and Shuifa Energy having approved the Share Transfer II, the above conditions have not been fulfilled.

#### *Parties*

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

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

#### *Subject Matter*

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

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## LETTER FROM THE BOARD

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### *Consideration*

The consideration payable by Hunan Shuifa Singyes to Shuifa Fengyuan Energy for Share Transfer II is RMB196,519,900 (equivalent to approximately HK\$222,067,487), which shall be payable by wire transfer by Hunan Shuifa Singyes to Shuifa Fengyuan Energy in three instalments as follows:

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

### *Basis of Consideration*

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

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

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## LETTER FROM THE BOARD

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### *Conditions Precedent*

Completion of Share Transfer II is conditional upon the following conditions precedent (“**Share Transfer II CPs**”) having been fulfilled by Hunan Shuifa Singyes and Shuifa Fengyuan Energy:

- (a) The board of Directors and shareholders of each of Hunan Shuifa Singyes and Shuifa Fengyuan Energy having approved Share Transfer II;
- (b) other shareholders of Shuifa Energy (Tongyu) having provided a written confirmation on waiving their pre-emptive rights in connection with Share Transfer II;
- (c) Hunan Shuifa Singyes and Shuifa Fengyuan Energy having completed the internal approval procedures of state-owned enterprise of the PRC in respect of Share Transfer II, including but not limited to obtaining internal approvals from Shuifa Fengyuan Energy and Shuifa Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) the Independent Shareholders having approved the transactions contemplated under Share Transfer Agreement II in accordance with the Listing Rules;
- (e) the Company, being the controlling shareholder of Hunan Shuifa Singyes, having obtained approval in relation to Share Transfer II from the Stock Exchange in accordance with the Listing Rules (if necessary);
- (f) Huaneng Tiancheng having agreed to cooperate with Shuifa Fengyuan Energy to discharge the pledge on 16% equity interest in Shuifa Energy (Tongyu); and
- (g) Shuifa Fengyuan Energy having extended the registered capital paid-up period and having complete the change or record of registration at the local Administration of Market Regulation, in order to rectify the irregularity of the registered capital of Shuifa Energy (Tongyu) not being paid out as scheduled.

All of the conditions set out in paragraphs (a) to (g) cannot be waived in writing.

As at the Latest Practicable Date, apart from the board of directors of each of Hunan Shuifa Singyes and Shuifa Energy having approved Share Transfer II under paragraph (a), the conditions set out in paragraphs (c) and (g) above have also been fulfilled.

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## LETTER FROM THE BOARD

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

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

The condition set out in paragraph (a) above can be waived by Shuifa Fengyuan Energy in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

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

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

The conditions set out in paragraphs (a), (c) and (d) above can be waived by Hunan Shuifa Singyes in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

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## LETTER FROM THE BOARD

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### *Completion*

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

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

Completion of the transactions contemplated under the Share Transfer Agreement I and completion of the transactions contemplated under Share Transfer Agreement II are inter-conditional. If any condition of one of the transactions cannot be fulfilled resulting in such transaction cannot be completed, completion will not take place in respect of the other transaction.

### *Consideration Adjustment*

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



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## LETTER FROM THE BOARD

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“Shareholders’ equity being abnormally reduced” specifically refers to capital withdrawal by the shareholder(s), abnormal distribution of dividends, fictitious debt of the target company and sale of assets of the target company at a discounted price.

### *Special Agreement and Undertakings*

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

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## LETTER FROM THE BOARD

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

### **(iii) Share Subscription Agreement**

#### ***Date***

9 December 2022 (after trading hours) (as amended and supplemented on 24 February 2023)

The Share Subscription Agreement is formed upon execution and affixation of company seal thereon by the legal representative or authorised representative of both parties and will become effective when the following condition is satisfied:

- (1) The board of directors and shareholders of Shuifa Clean Energy having approved the Share Subscription.

#### ***Parties***

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

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

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## LETTER FROM THE BOARD

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### *Subject matter*

Pursuant to the Share Subscription Agreement, Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at an aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$569,265,185).

### *Subscription price*

The subscription price per share payable by Hunan Shuifa Singyes to Shuifa Clean Energy is RMB4.77. Therefore, the aggregate subscription price payable by Hunan Shuifa Singyes to Shuifa Clean Energy for the Share Subscription will be RMB503,774,500 (equivalent to approximately HK\$569,265,185), which shall be settled by cash and payable by Hunan Shuifa Singyes to Shuifa Clean Energy in a manner approved by Qilu Stock Right Trading Center and in the manner prescribed in the share subscription announcement published by Shuifa Clean Energy on the disclosure platform of Qilu Stock Right Trading Center. The payment schedule is as follows:

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

As at 31 December 2022, since not all the conditions precedent set out in the Share Subscription Agreement have been fulfilled, the payment of RMB105,613,000 will be made on a date after such conditions precedent have been fulfilled and which is to be agreed by both parties.

Shuifa Clean Energy shall engage an accounting firm with securities-related qualifications to complete the capital verification after receiving the first instalment of the aggregate subscription price paid by Hunan Shuifa Singyes for the Share Subscription, and submit the filing documents and application in respect of the Share Subscription to Qilu Stock Right Trading Center after the issuance of the capital verification report, after which it can proceed with the corresponding change in industrial and commercial registration and share change registration procedures. For details, please refer to the section headed “Share registration” in this circular.

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## LETTER FROM THE BOARD

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### *Basis of Consideration*

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

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

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

### *Conditions Precedent*

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

- (a) The board of Directors and shareholders of Hunan Shuifa Singyes having approved the Share Subscription Agreement;
- (b) the Independent Shareholders having approved the transactions contemplated under the Share Subscription Agreement in accordance with the Listing Rules;
- (c) Shuifa Clean Energy having completed the internal approval procedures of state-owned enterprise of the PRC in respect of the Share Subscription, including but not limited to obtaining internal approvals from Shuifa Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) Shuifa Clean Energy having obtained relevant approval in relation to the Share Subscription from Qilu Stock Right Trading Center and Qilu Stock Right Trading Center having exempted Shuifa Clean Energy from convening a creditors' meeting to consider the Share Subscription;

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## LETTER FROM THE BOARD

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- (e) Shuifa Clean Energy not having materially breached any of the warranties given by it under the Share Subscription Agreement; and
- (f) There has not been any material adverse effect or change on Shuifa Clean Energy since 31 August 2022.

The conditions set out in paragraphs (a) to (d) cannot be waived in writing. The conditions set out in paragraphs (e) and (f) can be waived by Hunan Shuifa Singyes in writing.

As at the Latest Practicable Date, the conditions set out in paragraphs (a), (c) and (d) above have been fulfilled.

### ***Completion***

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

### ***Share registration***

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

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

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

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## LETTER FROM THE BOARD

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### *Ex-dividend and undistributed profits*

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

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

### **(iv) Supplemental Share Subscription Agreement**

#### *Date*

9 December 2022 (after trading hours)

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

#### *Parties*

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

#### *Subject matter*

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

- (a) Shuifa Clean Energy is not the investment filing entity of its certain photovoltaic projects, and Shuifa Energy shall be liable for the related losses arising or resulting therefrom;

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## LETTER FROM THE BOARD

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- (b) there are defects in the approval procedures of certain photovoltaic projects of Shuifa Clean Energy, and Shuifa Energy shall be liable for the related losses arising or resulting therefrom; and
- (c) certain subsidiaries of Shuifa Clean Energy have been included in the List of Enterprises with Abnormal Operations, and Shuifa Energy shall be liable for the related losses arising or resulting therefrom.

### FINANCIAL EFFECTS OF THE ACQUISITIONS

Completion of the transactions contemplated under the Share Transfer Agreements and completion of the transactions contemplated under the Share Subscription are not inter-conditional.

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

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

For details of the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix V to this circular.

### Assets and liabilities

Based on the unaudited pro forma financial information as set out in Appendix V to this circular, assuming that completion of the Share Transfers and the Share Subscription had taken place on 30 June 2022, the total assets of the Group would have increased by approximately RMB3.4 billion after completion of the Share Transfers and approximately RMB1.9 billion after completion of the Share Subscription on a pro forma basis, the total liabilities of the Group would have increased by approximately RMB3.2 billion after completion of the Share Transfers and approximately RMB1.6 billion after completion of the Share Subscription on a pro forma basis, and the net assets of the Group would have increased by approximately RMB0.2 billion after completion of the Share Transfers and approximately RMB0.3 billion after completion of the Share Subscription on a pro forma basis.



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## LETTER FROM THE BOARD

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### Earnings

As set out in the Accountant's Report on Shuifa Energy (Tongyu) and Shuifa Clean Energy included in Appendix II and III to this circular, the profits attributable to owners of Shuifa Energy (Tongyu) and Shuifa Clean Energy were approximately RMB90 million and RMB66 million, respectively for the nine months ended 30 September 2022.

It is anticipated that the Acquisitions will have a positive effect on the Group's earnings upon completion.

### INFORMATION ON SHUIFA ENERGY AND SHUIFA FENGYUAN ENERGY

#### Information on Shuifa Energy

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

#### Information on Shuifa Fengyuan Energy

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

### INFORMATION ON THE TARGET COMPANIES

#### Information on Shuifa Energy (Tongyu)

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



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## LETTER FROM THE BOARD

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Shuifa Energy (Tongyu) has invested in the 500MW wind power project, which was constructed in Tongyu county, Baicheng city, Jilin province of the PRC. The project involves (i) installation of 116 wind turbines with a total capacity of 500MW; (ii) construction of a 220kV step-up substation which is connected to the grid in Jilin, then to the inverter station in Jarud, Inner Mongolia by a coil of 220kV wire, and finally sending the power generated to the grid in Shandong for consumption through Lugu direct current. The tariff is RMB0.30852 per kWh, with annual power generation being approximately 1,700 million kWh and maximum power generation of the wind farm operating under full capacity being 3,508.9 hours annually. The construction of the project was completed and operations were commenced in March 2022.

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

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

As at the Latest Practicable Date, Shuifa Energy (Tongyu) had not completed the procedure, in relation to the change of land use, the remaining of which is the issuance of certificate for land use right, and had been occupying the land where the project wind farm is located without being granted with the right of use; and Shuifa Energy (Tongyu) had not obtained change approval upon exceeding the approved construction capacity of the project wind farm.

The application in relation to the certificate for land use right of Shuifa Energy (Tongyu) has been submitted, and the land transfer fee has been paid. In December 2022, approval has been granted by a PRC authority in relation to change of land use. As at the Latest Practicable Date, notwithstanding that the certificate for land use right of Shuifa Energy (Tongyu) has not yet been obtained, all relevant procedures have already been followed by Shuifa Energy (Tongyu). As confirmed by the legal adviser to the Company as to PRC law (the “**PRC Legal Adviser**”), since the necessary conditions for obtaining the certificate for land use right have been fulfilled according to the Company after making enquiries with Shuifa Energy (Tongyu), no legal impediment is expected in relation to the issue of the relevant certificate for land use right. Such certificate is expected to be issued in March 2023.

Notwithstanding that the construction of the project wind farm exceeded its approved construction capacity, the actual utilization in relation to the relevant project wind farm is within the approved construction capacity. Shuifa Energy (Tongyu) will commence adjustment of capacity of one of the 3.6MW wind turbines constructed on the project wind farm to 3.0MW wind turbine in March 2023. Such adjustment of capacity of wind turbine is expected to take three to six months. After such adjustment, the construction of the project wind farm will no longer exceed its approved construction capacity. There are not expected to be any obstacles in conducting such adjustment. As confirmed by the PRC Legal Adviser, since Shuifa Energy (Tongyu) will commence adjustment of capacity of wind turbine, the chance of not being able to complete the adjustment of capacity of wind turbine is low.

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## LETTER FROM THE BOARD

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Based on the above, (i) in respect of the defects in relation to land use right and the construction of the project wind farm exceeding its approved construction capacity, the Directors consider that there may not be material adverse impact on the financial position and operations of Shuifa Energy (Tongyu); and (ii) as confirmed with the PRC Legal Adviser, the risk of Shuifa Energy (Tongyu) being subject to administrative penalties due to the aforementioned defects is low. In the event that the aforementioned defects are not rectified, Shuifa Energy (Tongyu) and Hunan Shuifa Singyes will be indemnified against all losses arising from, including but not limited to, administrative penalties, by Shuifa Energy and Shuifa Fengyuan Energy in accordance with the Share Transfer Agreements as disclosed above.

Save as disclosed in this circular, as at the Latest Practicable Date, the Directors consider that, taking into account the indemnities provided by Shuifa Energy and Shuifa Fengyuan Energy, the impact of the breaches or non-compliances disclosed above and the other breaches or non-compliances of the requirements of the PRC laws and rules, and deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased on the financial position of the Group upon completion of the Share Transfers are immaterial. Save as disclosed in this circular, as at the Latest Practicable Date, the Directors do not foresee any potential material losses, disputes, or penalties against Shuifa Energy (Tongyu) rising or resulting from the issues disclosed in paragraphs (1) to (5) under the paragraphs headed “Special Agreement and Undertakings” in the sections headed “(i) Share Transfer Agreement I” and “(ii) Share Transfer Agreement II” above. Based on the above, the Directors consider that the transactions contemplated under the Share Transfer Agreements are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Please refer to the paragraphs headed “Special Agreement and Undertakings” in the sections headed “(i) Share Transfer Agreement I” and “(ii) Share Transfer Agreement II” above for the undertakings made and indemnities undertaken by Shuifa Energy and Shuifa Fengyuan Energy, respectively, under the Share Transfer Agreements.

The Board considers that the methods, parameters and principal assumptions used in the valuation of the 100% equity interest in Shuifa Energy (Tongyu) by the Valuer (the valuation report of which is set out in Appendix VI to this circular) are fair and reasonable on the basis that (i) the Directors have conducted an interview with the responsible persons of the Valuer to understand their experience in undertaking valuation of comparable energy companies, and the key assumptions and methodologies adopted in the valuation report of the 100% equity interest in Shuifa Energy (Tongyu) (which is set out in Appendix VI to this circular); (ii) the Directors have reviewed the valuation report of the 100% equity interest in Shuifa Energy (Tongyu) by the Valuer and understood that the market approach was adopted as a methodology in the valuation; and (iii) the valuation of the 100% equity interest in Shuifa Energy (Tongyu) was arrived upon comparing with the valuations in other transactions in similar industry(ies).

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## LETTER FROM THE BOARD

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Since the ultimate holding company of Shuifa Energy (Tongyu) is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC, the Share Transfers will involve acquisitions of state-owned assets. A valuer in the PRC has been engaged by Shuifa Energy and Shuifa Fengyuan Energy to prepare Valuation Report I on Shuifa Energy (Tongyu) in order to comply with the applicable laws, rules and regulations in the PRC. Valuation Report I was prepared on the basis of income approach and asset-based approach in respect of Shuifa Energy (Tongyu). Under Valuation Report I, the valuation of 100% of the equity interest of Shuifa Energy (Tongyu) as at 30 April 2022 was RMB602,641,800 and RMB1,214,627,500 based on the asset-based approach and the income approach, respectively. Income approach as a valuation methodology was adopted eventually in the valuation of Shuifa Energy (Tongyu). Please refer to the section headed “Listing Rules Implications” below for details of the waiver from strict compliance as to profit forecast requirements under the Listing Rules regarding the Valuation Reports.

### Financial information of Shuifa Energy (Tongyu)

Based on the consolidated financial statements of Shuifa Energy (Tongyu) prepared in accordance with the International Financial Reporting Standards (“IFRSs”), the profit or loss of Shuifa Energy (Tongyu) before and after taxation is as follows:

	<b>For the nine months ended 30 September 2022</b>	<b>For the financial period ended 31 December 2021</b>
	(audited)	(audited)
	<i>RMB</i>	<i>RMB</i>
Net Profit/(Loss) before tax	89,977,000	(138,000)
Net Profit/(Loss) after tax	89,977,000	(138,000)

As at 30 September 2022, the audited consolidated net assets value of Shuifa Energy (Tongyu) under IFRSs was RMB701,839,000.

### Information on Shuifa Clean Energy

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

Shuifa Clean Energy has a 250MW photovoltaic project located in Tongchuan City, Shaanxi Province of the PRC and a number of photovoltaic projects in Heze, Zibo and other places in Shandong Province of the PRC. Shuifa Clean Energy currently has three projects in operation, and other projects to be constructed which filings have been made. The projects in operation have installed capacity of 252.432 MW, namely (i) the 250MW photovoltaic project of Yijun County

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## LETTER FROM THE BOARD

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Tianxing New Energy Limited (“**Project 1**”); (ii) the 2MW distributed photovoltaic project of Heze High tech Zone Shuifa Chenxu New Energy Co., Ltd. (“**Shuifa Chenxu**”) in Heze High-tech Zone of the PRC. (“**Project 2**”); and (iii) the 0.432MW rooftop distributed photovoltaic project of Shuifa Energy in Yantai City, Fushan District of the PRC (“**Project 3**”). Project 1, Project 2 and Project 3 are the only projects of Shuifa Clean Energy Group which are in operation as at the Latest Practicable Date.

Yijun Tianxing is (i) a wholly-owned subsidiary of Changzhou Zhuohui New Energy Development Co., Ltd., which is a non-wholly owned subsidiary of Shuifa Clean Energy; and (ii) the investment filing entity of Project 1. Shuifa Chenxu is a direct wholly-owned subsidiary of Shuifa Clean Energy, and the investment filing entity of Project 2. Notwithstanding the investment filing entity of Project 3 is Shuifa Energy, Shuifa Clean Energy (Fushan) Co., Limited (“**Shuifa Clean Energy (Fushan)**”) is the de facto entity in charge of the project. Shuifa Clean Energy (Fushan) is a direct non-wholly owned subsidiary of Shuifa Clean Energy. Save for Project 3, in respect of each of the other operating projects (namely Project 1 and Project 2), the relevant subsidiary of Shuifa Clean Energy operating the relevant project is the investment filing entity of the project. In relation to the rooftop distributed photovoltaic project (“**Laizhou Project**”) which Shuifa Clean Energy (Laizhou) Co., Limited (“**Shuifa Clean Energy (Laizhou)**”), a non-wholly subsidiary of Shuifa Clean Energy, is responsible for, the investment filing entity and the responsible entity of the Laizhou Project are Shuifa Energy and Shuifa Clean Energy (Laizhou), respectively. Saved as disclosed above, in respect of each of the non-operating projects of Shuifa Clean Energy Group, the relevant subsidiary of Shuifa Clean Energy responsible for the relevant project is the investment filing entity of the project.

As disclosed above, the investment filing entity of Project 3 is Shuifa Energy. The relevant filing was made on 9 October 2021. Shuifa Clean Energy (Fushan) was not established yet at the time when the relevant filing was made. Shuifa Clean Energy (Fushan) was established on 24 November 2021.

Shuifa Clean Energy, as the holding company of Yijun Tianxing and Shuifa Chenxu, indirectly controls and invested in Project 1 and Project 2. Shuifa Clean Energy, as the holding company of Shuifa Clean Energy (Fushan), indirectly invested in Project 3.

The operating assets of Project 3 are owned by Shuifa Clean Energy (Fushan). The relevant PRC governmental authority has issued a document in September 2022 stating that in relation to Project 3 (the filing of which was made by Shuifa Energy), Shuifa Clean Energy (Fushan) shall be responsible for the implementation of such project. Shuifa Clean Energy and Shuifa Clean Energy (Fushan) will use their best endeavours to procure that a new filing application will be made under the name of Shuifa Clean Energy (Fushan) with the relevant photovoltaic project registration authority such that the investment filing entity of Project 3 will become Shuifa Clean Energy (Fushan). In relation to the Laizhou Project, Shuifa Energy and Shuifa Clean Energy (Laizhou) will use their best endeavours to procure that a new filing application will be made under the name of Shuifa Clean Energy (Laizhou) with the relevant photovoltaic project registration authority such that the investment filing entity of Laizhou Project will become Shuifa Clean Energy (Laizhou).

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## LETTER FROM THE BOARD

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The net asset value of Shuifa Clean Energy (Fushan) merely amounted to approximately RMB14 million as at 30 September 2022. The Directors consider that such amount is immaterial as compared to the total appraised value of 100% equity interest of Shuifa Clean Energy of RMB387 million as disclosed in the valuation report on Shuifa Clean Energy set out in Appendix VII to this circular. The Laizhou Project is not a project in operation. As such, even if enforcement actions in relation to the aforementioned defects in relation to Project 3 and the Laizhou Project are taken by the governmental authorities, the Directors consider that there is no material adverse impact on the financial position and operations of Shuifa Clean Energy Group as a whole. As confirmed by the PRC Legal Adviser, the rectification of the defect is in progress and no legal impediments are expected, and as such, the risk of Shuifa Clean Energy being subject to administrative penalties due to the aforementioned defect is low.

As at the Latest Practicable Date, there are defects in certain approval procedures of a number of photovoltaic projects under Shuifa Clean Energy and certain subsidiaries of Shuifa Clean Energy which are mostly currently dormant, are being included in the List of Enterprises with Abnormal Operations as a result of not publishing the relevant annual reports as prescribed by the relevant regulation. As confirmed by the PRC Legal Adviser, the defects in certain approval procedures of a number of photovoltaic projects under Shuifa Clean Energy can be rectified by having the relevant entities in relation to the projects to supplement and proceed with the necessary procedures with the relevant authorities. Shuifa Clean Energy is currently in the process of preparing to supplement and proceed with the necessary procedures with the relevant authorities. As confirmed by the PRC Legal Adviser, no legal impediment is currently expected in relation to supplementing and proceeding with the necessary procedures with the relevant authorities. As confirmed by the PRC Legal Adviser, the subsidiaries of Shuifa Clean Energy which are being included in the List of Enterprises with Abnormal Operations could apply to be removed from such list after publishing the relevant annual reports as prescribed by the relevant regulation. The relevant subsidiaries of Shuifa Clean Energy have already submitted the relevant annual reports to the relevant authorities. They intend to apply to be removed from such list after publishing the relevant annual reports. The expected timeline for the proposed removal of the relevant subsidiaries of Shuifa Clean Energy from such list is within the next few months. As such, the Directors consider that there may not be any material adverse impact on the financial position and operations of Shuifa Clean Energy Group. The rectification of the defects in relation to approval procedures of a number of photovoltaic projects under Shuifa Clean Energy and that certain subsidiaries of Shuifa Clean Energy are being included in the List of Enterprises with Abnormal Operations are in progress and as confirmed by the PRC Legal Adviser, no legal impediments are expected. Based on this, as confirmed by the PRC Legal Adviser, the risk of Shuifa Clean Energy being subject to administrative penalties due to the aforementioned defects is low. In the event that the aforementioned defects are not rectified, Hunan Shuifa Singyes will be indemnified against any potential losses arising from, including but not limited to, administrative penalties (where applicable) by Shuifa Energy in accordance with the Supplemental Share Subscription Agreement as disclosed above.



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## LETTER FROM THE BOARD

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Save as disclosed in this circular, as at the Latest Practicable Date, the Directors consider that, taking into account the indemnities provided by Shuifa Energy, the impact of the breaches or non-compliances disclosed above and the other breaches or non-compliances of the requirements of the PRC laws and rules, and deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased on the financial position of the Group upon completion of the Share Subscription are immaterial. Save as disclosed in this circular, as at the Latest Practicable Date, the Directors do not foresee any potential material losses, disputes, or penalties against Shuifa Clean Energy arising or resulting from the issues disclosed in the paragraph headed “Subject matter” in the section headed “(iv) Supplemental Share Subscription Agreement” above.

In light of the above, the Board considers that the Share Subscription is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Please refer to the paragraphs headed “Subject Matter” in the section headed “(iv) Supplemental Share Subscription Agreement” above for the indemnities undertaken by Shuifa Energy under the Supplemental Share Subscription Agreement.

The Board considers that the methods, parameters and principal assumptions used in the valuation of the 100% equity interest in Shuifa Clean Energy by the Valuer (the valuation report of which is set out in Appendix VII to this circular) are fair and reasonable on the basis that (i) the Directors have conducted an interview with the responsible persons of the Valuer to understand their experience in undertaking valuation of comparable energy companies, and the key assumptions and methodologies adopted in the valuation report of the 100% equity interest in Shuifa Clean Energy (which is set out in Appendix VII to this circular); (ii) the Directors have reviewed the valuation report of the 100% equity interest in Shuifa Clean Energy by the Valuer and understood that the market approach was adopted as a methodology in the valuation; and (iii) the valuation of the 100% equity interest in Shuifa Clean Energy was arrived upon comparing with the valuations in other transactions in similar industry(ies).

Since the ultimate holding company of Shuifa Clean Energy is the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC, the Share Subscription will involve acquisition of state-owned assets. A valuer in the PRC has been engaged by Shuifa Clean Energy to prepare Valuation Report II on Shuifa Clean Energy in order to comply with the applicable laws, rules and regulations in the PRC. Valuation Report II was prepared on the basis of income approach and asset-based approach in respect of Shuifa Clean Energy. Under Valuation Report II, the valuation of 100% of the equity interest of Shuifa Clean Energy as at 31 August 2022 was RMB397,174,400 and RMB258,954,300 based on asset-based approach and income approach, respectively. Asset-based approach as the valuation methodology was adopted eventually in the valuation of Shuifa Clean Energy. Please refer to the section headed “Listing Rules Implications” below for further details of the waiver from strict compliance as to profit forecast requirements under the Listing Rules regarding the Valuation Reports.

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## LETTER FROM THE BOARD

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### Financial information of Shuifa Clean Energy

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

	For the nine months ended 30 September 2022 (audited) RMB	For financial year ended 31 December 2021 (audited) RMB	For financial year ended 31 December 2020 (audited) RMB
Net Profit/(Loss) before tax	78,537,000	57,706,000	(10,137,000)
Net Profit/(Loss) after tax	74,008,000	53,219,000	(26,523,000)

As at 30 September 2022, the audited consolidated net assets value of Shuifa Clean Energy under IFRSs was RMB301,067,000.

### INFORMATION ON SHUIFA GROUP

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

Shuifa Group wholly-owns, and is the controlling shareholder of, Shuifa Energy. Shuifa Group is owned, directly and indirectly, as to 90% by the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC\* (山東省國有資產監督管理委員會) and as to 10% by the Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會), which is directly under the Shandong Provincial Government.

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

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

Hunan Shuifa Singyes is a company incorporated in the PRC and is wholly-owned by the Company. It is engaged in the engineering, procurement, construction and operation of solar farms.

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## LETTER FROM THE BOARD

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

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

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

The Chinese government has expressed its goal of “achieving the carbon peak by 2030 and carbon neutrality by 2060” in the Climate Ambition Summit, officially opening the era of climate economy in China. In the Summit, it was proposed that the total installed capacity of wind power and solar power generation would reach more than 1.2 billion kilowatts (kW) and the installed capacity will triple by the end of 2030, exceeding the total global installed capacity. With the support by the Chinese government and its announced climate goals, the Directors believe that the Acquisitions are considered to be suitable investments with good prospects and potential returns.

The Group’s solar projects include Building Integrated Photovoltaic Systems (“**BIPV**”), roof top solar systems and ground mounted solar systems. The Building Integrated Photovoltaic System involves (i) the integration of photovoltaic technology into the architectural design of buildings and structures; and (ii) the conversion of solar energy into electricity for use. As Shuifa Clean Energy is principally engaged in the business of sale of electricity, the principal business of Shuifa Clean Energy is in line with the Group’s existing business.



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## LETTER FROM THE BOARD

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Following completion of the whitewash transaction, Shuifa Energy became a majority shareholder of the Company in late November 2019. Since the completion of the debt restructuring scheme in December 2019, the Company has been exploring ways for the Group to expand its clean energy business and strengthen its financial performance. As stated in its 2019 annual report, the Company planned to tap into the broader clean energy sector and develop other forms of clean energy business, such as gas, heating and hydrogen energy, with the ultimate goal of developing a clean energy industry cluster with multiple capabilities and complementary advantages. As stated in its 2021 annual report, the Group aimed to accelerate its transformation into a high-quality green power operator with core competitiveness and become a large-scale leading clean energy enterprise.

As at the Latest Practicable Date, the Group has no on-grid wind power station, therefore, the Acquisitions can substantially expand the wind energy business of the Group. With respect to solar farms, the Acquisitions are expected to complement the Group's existing solar power stations in Northwest China and increase the Group's solar power capacity. Taking into account the growth potential of the renewable energy sector, high quality assets of the Target Companies and the current portfolio of the Group, the Directors consider that the Acquisitions are in line with the Group's principal businesses and are in the interests of the Company and the Shareholders.

The Acquisitions are expected to strengthen the Group's financial performance while expanding its portfolio of power generation projects. It is the Group's strategy to identify suitable investment opportunities in wind power projects and photovoltaic projects with good prospects, potential for stable returns and environmental effectiveness. As at the Latest Practicable Date, the project owned by Shuifa Energy (Tongyu) has already been completed and commissioned and is currently fully operational and generating revenue. Taking into account the installed capacity, operation period, tariff and annual power generation of the project owned by Shuifa Energy (Tongyu), the Directors consider that the Share Transfers will enable the Group to further expand its scale of business in the wind energy sector, presenting a good opportunity for the Group's long-term development and enhancing return to Shareholders. As at the Latest Practicable Date, while some of the photovoltaic projects of Shuifa Clean Energy are under construction or with construction work to be commenced, there are three photovoltaic projects already in operation. The consideration for the Share Subscription was at a premium of merely 1.6% to 51% of the sum of the valuation of Shuifa Clean Energy, the consideration, and the paid registered capital in November 2022. The Directors consider that the said premium is immaterial and the terms of the Share Subscription are fair and reasonable, having taken into account that (i) the Share Subscription allows funds to be injected into Shuifa Clean Energy for the future development of the upcoming projects; (ii) the profitability of Shuifa Clean Energy has shown an increasing trend for the eight months ended 31 August 2022 as set out the announcement of the Company dated 9 December 2022; and (iii) the potential growth prospects of Shuifa Clean Energy, which operates three projects and has nine new projects in the pipeline. The Directors are optimistic about the prospect of the business of photovoltaic power generation and its expected development over the coming years. The Directors are of the view that the Share Subscription signifies the Group's expansion of its photovoltaic power business in the PRC.

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## LETTER FROM THE BOARD

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

### LISTING RULES IMPLICATIONS

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

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

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

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

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## LETTER FROM THE BOARD

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

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

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

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

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## LETTER FROM THE BOARD

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### GENERAL

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

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

### 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 Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement. 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 16 March 2023 to 21 March 2023 (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 21 March 2023 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 15 March 2023.

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 Group and its associates are interested in, in aggregate, 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 Shareholders would be required to abstain from voting at the SGM.

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## LETTER FROM THE BOARD

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A proxy form for use at SGM is enclosed. Such form of proxy is also published on the websites of the Company ([www.sfsyenergy.com](http://www.sfsyenergy.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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 10:00 a.m. on 19 March 2023) 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.

### 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 Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that while the entering into of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement were not in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms and the terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement are fair and reasonable and Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) 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.

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)**

28 February 2023

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 28 February 2023 (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 Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement 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 7 to 42 of the Circular; (ii) the letter from INCU Corporate Finance Limited, as set out on pages 45 to 84 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement and the transactions contemplated thereunder, and having taken into account the advice given by INCU Corporate Finance Limited 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 Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement were not in the ordinary and usual course of business of the Group, the Acquisitions are on normal commercial terms and the terms of Share Transfer Agreements, the Share Subscription Agreement, the Supplemental Share Subscription Agreement 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 Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement.

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*

**Dr. Tan Hongwei**  
*Independent non-executive Director*



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the transaction contemplated thereunder.*



INCU Corporate Finance Limited  
Unit 1402, 14/F, Winsome House,  
73 Wyndham Street,  
Central, Hong Kong

28 February 2023

*To: The Independent Board Committee and  
the Independent Shareholders of  
China Shuifa Singyes Energy Holdings Limited*

Dear Sirs or Madams,

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

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 28 February 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcement of the Company dated 30 September 2021 and the circular of the Company dated 19 November 2021 in respect of the Previous Transactions, Shuifa Green Energy Co., Ltd (formerly known as Hunan Singyes Green Energy Co., Ltd.), a wholly-owned subsidiary of the Company, as the purchaser has agreed to purchase and Shandong Shuifa Clean Energy Technology Co., Ltd. as the vendor has agreed to sell (i) 100% of the equity interest in Heze Kaifaqu Shuifa Guangyao New Energy Co., Ltd. (菏澤開發區水發光耀新能源有限公司) (“**Shuifa Guangyao**”); (ii) 86% of the equity interest in Xintaishi Zhongmu New Energy Technology Co., Ltd. (新泰市中穆新能源科技有限公司) (“**Xintaishi Zhongmu**”); and (iii) 68% of the equity interest in Dongying Tianze New Energy Technology Co., Ltd. (東營天澤新能源科技有限公司) at an aggregate consideration of RMB103.18 million (equivalent to approximately HK\$123.82 million). The vendor of the Previous Transactions is a wholly-owned subsidiary of Shuifa Energy, the controlling shareholder of the Company. The Previous Acquisitions were approved by the independent shareholders of the Company in the special general meeting of the Company held on 6 December 2021.



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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Reference is made to the announcements of the Company dated 9 December 2022 and 24 February 2023 in relation to (i) the entering into of the Share Transfer Agreements, pursuant to which, Hunan Shuifa Singyes has conditionally agreed to acquire and Shuifa Energy and Shuifa Fengyuan Energy have conditionally agreed to sell 24% of the equity interest and 16% of the equity interest in Shuifa Energy (Tongyu), respectively, at the aggregate consideration of RMB491,299,700 (equivalent to approximately HK\$555,168,661; and (ii) the entering into of the Share Subscription Agreement, pursuant to which Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at the aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$569,265,185).

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

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

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

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

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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The SGM will be convened for the Independent Shareholders to consider, and if thought fit, to approve the Acquisitions and the transactions contemplated under the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023). 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 Group and its associates are interested in, in aggregate, 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 Shareholders would be required to abstain from voting at the SGM.

We have not acted as an independent financial adviser and have not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisitions, and accordingly, are eligible to give independent advice and recommendations on the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

### INDEPENDENT BOARD COMMITTEE

An 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 advise the Independent Shareholders in respect of the terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and as to whether the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, taking into account our recommendation.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the valuation reports prepared by the Valuer as set out in Appendix VI and VII of the Circular (“**HK Valuation Reports**”) and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report 2021**”) and the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report 2022**”). We have also discussed with the Directors and the management of the Group with respect to the terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the basis and assumptions adopted in the HK Valuation Reports and the reasons for and benefits of the Acquisitions. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, we have taken into account the following principal factors and reasons:

#### 1. Background and financial information of the Group

##### *(a) Background of the Group*

As stated in the Letter from the Board, the Company is an investment holding company. The Group is a professional renewable energy system integrator and building contractor, and it is principally engaged in three main businesses: (i) the design, fabrication, supply and installation of conventional curtain walls (“**Curtain Wall and Green Building Business**”); (ii) building integrated photovoltaic systems; and (iii) the manufacturing and sale of solar projects.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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According to the Annual Report 2021, the Group’s solar projects included building integrated photovoltaic (“**BIPV**”) system, roof top solar system and ground mounted solar system (collectively as “**Solar EPC**”). BIPV system involves (i) the integration of photovoltaic technology into the architectural design of buildings and structures and (ii) the conversion of solar energy into electricity for use.

As the Solar EPC business was not as profitable as what the Group made before year 2018 due to price hikes in solar modules in response to the material shortages and high transportation costs, the Group further diversified its business into wind power engineering, procurement and construction business (“**Wind Power EPC**”) in 2020.

Hunan Shuifa Singyes is a company incorporated in the PRC and is wholly-owned by the Company. It is engaged in the engineering, procurement, construction and operation of solar farm.

**(b) Financial information of the Group**

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2020 (“**FY2020**”) and 31 December 2021 (“**FY2021**”) respectively as extracted from Annual Report 2021 and the six months ended 30 June 2021 (“**HY2021**”) and 30 June 2022 (“**HY2022**”) respectively as extracted from Interim Report 2022:

	<b>FY2020</b>	<b>FY2021</b>	<b>HY2021</b>	<b>HY2022</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>				
(a) Construction contracts				
– Curtain Wall and Green				
Building Business	1,136.3	1,662.5	663.1	607.7
– Solar EPC	1,192.0	357.2	60.6	103.1
– Wind Power EPC	1,377.4	3,086.2	1,202.7	1,548.8
(b) Sale of electricity	374.6	455.6	207.5	225.7
(c) Sale of products	1,289.5	610.2	153.9	313.2
(d) others	208.7	331.7	175.8	167.5
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Revenue</b>	<b>5,578.5</b>	<b>6,503.4</b>	<b>2,463.6</b>	<b>2,966.0</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Operating profit/(loss)</b>	<b>454.8</b>	<b>579.7</b>	<b>273.0</b>	<b>334.9</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Profit attributable to equity owners of the Company</b>	<b>310.6</b>	<b>221.4</b>	<b>101.9</b>	<b>114.5</b>
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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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As stated in the Annual Report 2021, the Group's revenue increased by approximately RMB924.9 million or 16.6%, from approximately RMB5,578.5 million for FY2020 to approximately RMB6,503.4 million for FY2021. Such increase was mainly due to combined effect of (i) the increase in revenue of Curtain Wall and Green Building Business of approximately RMB526.2 million due to recovery of the economy in the PRC in 2021; (ii) the increase in revenue of Wind Power EPC of approximately RMB1,708.8 million due to the mega size project in North-east part of China being awarded in 2021; and (iii) the decrease in revenue of Solar EPC of approximately RMB834.8 million due to the change in business focus of the Group from Solar EPC business to Wind Power EPC in 2020 as discussed above. Profit attributable to equity owners of the Company for FY2021 dropped by approximately RMB89.2 million or 28.7% as compared to FY2020. Such decrease was mainly caused by a one-off gain of approximately RMB209.4 million arising from the repurchase and cancellation of US\$193 million of senior notes by the Company in 2020.

As stated in the Interim Report 2022, the Group continued to squeeze the Solar EPC business and shift focus to Wind Power EPC as the material costs for Solar EPC remained high for HY2022. The Group's revenue increased by approximately RMB502.4 million or 20.4%, from RMB2,463.6 million for HY2021 to RMB2,966.0 million for HY2022. Such increase was mainly due to (i) the increase in revenue of Wind Power EPC of approximately RMB346.1 million; and (ii) the increase in revenue of sale of products of approximately RMB159.3 million resulting from the rapid growth in Wind Power EPC business. Profit attributable to equity owners of the Company for HY2022 was slightly increased by approximately RMB12.6 million or 12.4% as compared to HY2021. Such increase was mainly caused by the increase in revenue as discussed above and partially offset by the increase in administrative expenses for the establishment of new companies by the Group and finance costs from bank and other loan respectively.

Taking into account that (i) renewable energy, including Solar EPC and Wind Power EPC, and sale of electricity, is the principal business of the Group; (ii) Shuifa Energy (Tongyu) is a wind farm operator and Shuifa Clean Energy is principally engaged in the business of renewable energy power generation, which will be further discussed under the paragraph headed "3. Information of the Target Companies" below; and (iii) reasons for and benefits of the Acquisitions as further discussed under the paragraph headed "6. Reasons for and benefits of the Acquisitions" below, we consider the Acquisitions are the expansion of the existing business of the Group and in the interests of the Shareholders as a whole.

### **2. Background of Shuifa Group, Shuifa Energy and Shuifa Fengyuan Energy**

Shuifa Group is incorporated in the PRC and is owned, directly and indirectly, as to 90% by the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC (山東省國有資產監督管理委員會) and as to 10% by the Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會), which is directly under the Shandong Provincial Government. Shuifa Group is principally engaged in the operation of water projects and environment management, modern agriculture, cultural tourism and renewable energy business segments in the PRC. It is also principally responsible for the operation and management of the state-owned water resources assets in Shandong Province of the PRC and the investment



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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and financing of key water engineering projects in Shandong Province of the PRC and planning for investment development and business management of water-related projects and other related industries in Shandong Province of the PRC.

Shuifa Energy is an investment holding company established in the PRC with limited liability and a primary focus on the clean energy business segments. It is wholly-owned by Shuifa Group.

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

### 3. Information of the Target Companies

#### *(a) Information of Shuifa Energy (Tongyu)*

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

Shuifa Energy (Tongyu) has invested in the 500MW wind power project, which was constructed in Tongyu county, Baicheng city, Jilin province of the PRC. The project involves (i) installation of 116 wind turbines with a total capacity of 500MW; (ii) construction of a 220kV step-up substation which is connected to the grid in Jilin, then to the inverter station in Jarud, Inner Mongolia by a coil of 220kV wire, and finally sending the power generated to the grid in Shandong for consumption through Lugu direct current. The tariff is RMB0.30852 per kWh, with annual power generation being approximately 1,700 million kWh and maximum power generation of the wind farm operating under full capacity being 3,508.9 hours annually. The construction of the project was completed and operations were commenced in March 2022.

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

The Board considers that the methods, parameters and principal assumptions used in the valuation of the 100% equity interest in Shuifa Energy (Tongyu) by the Valuer (the valuation report of which is set out in Appendix VI to the Circular) are fair and reasonable on the basis that (i) the Directors have conducted an interview with the responsible persons of the Valuer to understand their experience in undertaking valuation of comparable energy companies, and the key assumptions and methodologies adopted in the valuation report of the 100% equity interest in Shuifa Energy (Tongyu) (which is set out in Appendix VI to the Circular); (ii) the Directors have reviewed the valuation report of the 100% equity interest in Shuifa Energy (Tongyu) by the Valuer and understand that the market approach was adopted as a methodology in the valuation; and (iii) the valuation of the 100% equity interest in Shuifa Energy (Tongyu) was arrived upon comparing with the valuations in other transactions in similar industry(ies).

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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Based on the consolidated financial statements of Shuifa Energy (Tongyu) prepared in accordance with the IFRSs, the profit or loss of Shuifa Energy (Tongyu) before and after taxation for the period from 28 January 2021 (date of establishment) to 31 December 2021 and for the nine months ended 30 September 2022 are as follows:

	<b>Period from 28 January 2021 (date of establishment) to 31 December 2021 (RMB) <i>Approximately</i> (audited)</b>	<b>For the nine months ended 30 September 2022 (RMB) <i>Approximately</i> (audited)</b>
Net profit/(Loss) before taxation	(138,000)	89,977,000
Net profit/(Loss) after taxation	(138,000)	89,977,000

As at 30 September 2022, the audited consolidated net assets value of Shuifa Energy (Tongyu) under IFRSs was approximately RMB701,839,000.

As Shuifa Energy (Tongyu) was established on 28 January 2021 and the wind power project of Shuifa Energy (Tongyu) is still under construction during FY2021, no revenue was generated and thus net loss was recorded for the period from 28 January 2021 (date of establishment) to 31 December 2021.

According to the Letter from the Board, as at the Latest Practicable Date, Shuifa Energy (Tongyu) had not completed the procedures in relation to the change of land use, the remaining of which is the issuance of certificate for land use right, and had been occupying the land where the project wind farm is located without being granted with the rights of use, and Shuifa Energy (Tongyu) had not obtained change approval upon exceeding the approved construction capacity of the project wind farm. The application in relation to the certificate for land use right of Shuifa Energy (Tongyu) has been submitted, and the land transfer fee has been paid. In December 2022, approval has been granted by a PRC authority in relation to change of land use. As at the Latest Practicable Date, notwithstanding that the certificate for land use right of Shuifa Energy (Tongyu) has not yet been obtained, all relevant procedures have already been followed by Shuifa Energy (Tongyu). It is not expected that there would be any obstacle in obtaining the certificate for land use right. As confirmed by the PRC Legal Adviser, since the necessary conditions for obtaining the certificate for land use right have been fulfilled according to the Company after making enquiries with Shuifa Energy (Tongyu), no legal impediment is expected in relation to the issue of the relevant certificate for land use right. Such certificate is expected to be issued in March 2023.



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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As disclosed in the Letter from the Board, notwithstanding that the construction of the project wind farm exceeded its approved construction capacity, the actual utilization in relation to the relevant project wind farm is within the approved construction capacity. Shuifa Energy (Tongyu) will commence adjustment of capacity of one of the 3.6MW wind turbines constructed on the project wind farm to 3.0MW wind turbine in March 2023. Such adjustment of capacity of wind turbine is expected to take three to six months. After such adjustment, the construction of the project wind farm will no longer exceed its approved construction capacity. There are not expected to be any obstacles in conducting such adjustment. As confirmed by the PRC Legal Adviser, since Shuifa Energy (Tongyu) will commence adjustment of capacity of wind turbine, the chance of not being able to complete the adjustment of capacity of wind turbine is low.

Based on the above, (i) in respect of the defects in relation to land use right and the construction of the project wind farm exceeding its approved construction capacity, the Directors consider that there may not be material adverse impact on the financial position and operations of Shuifa Energy (Tongyu); and (ii) as confirmed with the PRC Legal Adviser, the risk of Shuifa Energy (Tongyu) being subject to administrative penalties due to the aforementioned defects is low. Shuifa Energy (Tongyu) and Hunan Shuifa Singyes will be indemnified against all losses arising from, including but not limited to, administrative penalties, by Shuifa Energy and Shuifa Fengyuan Energy in accordance with the Share Transfer Agreements as disclosed above.

As at the Latest Practicable Date, the Directors do not foresee any potential material losses, disputes, or penalties against Shuifa Energy (Tongyu) rising or resulting from the issues disclosed in paragraphs (1) to (5) under the paragraphs headed “Special Agreement and Undertakings” in the sections headed “(i) Share Transfer Agreement I” and “(ii) Share Transfer Agreement II” in the Letter from the Board. Please refer to the paragraphs headed “Special Agreement and Undertakings” in the sections headed “(i) Share Transfer Agreement I” and “(ii) Share Transfer Agreement II” in the Letter from the Board for the undertakings made and indemnities undertaken by Shuifa Energy and Shuifa Fengyuan Energy, respectively, under the Share Transfer Agreements. Based on the above, the Directors consider that the transactions contemplated under the Share Transfer Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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We have reviewed of the legal due diligence report of Shuifa Energy (Tongyu) provided by the PRC Legal Adviser and the subsequent correspondence between the Company and the PRC Legal Adviser in respect of the breaches or non-compliances and understand from the Company that Shuifa Energy (Tongyu) has already applied for the approvals in respect of the above breaches or non-compliances, which the written approval of the rights of use of land occupied by the project wind farm of Shuifa Energy (Tongyu) has been obtained and the certificate for the land use right is expected to be issued in March 2023, and the non-compliance of the exceed construction capacity of wind turbine will be rectified. As discussed with the management of the Company, so far, Shuifa Energy (Tongyu) has not received any notice or penalties from any government body in respect of the above breaches or non-compliances, including the land use right and the exceeding approved construction capacity. Based on the Directors' experience and knowledge in wind power projects, the confirmation from the PRC Legal Adviser and together with the Vendor's indemnity, the Directors concluded that the impact of the above breaches or non-compliances to the financial position and business operation of Shuifa Energy (Tongyu) are considered immaterial. After discussing with the management of the Company and reviewing the approval document of the rights of use of the land occupied by the project wind farm of Shuifa Energy (Tongyu), the legal due diligence report and subsequent correspondence between the Company and the PRC Legal Adviser, and also considering the undertakings made and indemnities undertaken by Shuifa Energy and Shuifa Fengyuan Energy, respectively, for any potential material losses, disputes, or penalties against Shuifa Energy (Tongyu) rising or resulting from any breaches or non-compliance under the Share Transfer Agreements, we agree with the view of the Board that the Share Transfers are fair and reasonable.

**(b) Information of Shuifa Clean Energy**

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

Shuifa Clean Energy has a 250MW photovoltaic project located in Tongchuan City, Shaanxi Province of the PRC and a number of photovoltaic projects in Heze, Zibo and other places in Shandong Province of the PRC. Shuifa Clean Energy currently has three projects in operation, and other projects to be constructed which filings have been made. The projects in operation have installed capacity of 252.432MW, namely (i) the 250MW photovoltaic project of Yijun County Tianxing New Energy Limited ("**Project 1**"); (ii) the 2MW distributed photovoltaic project of Heze High tech Zone Shuifa Chenxu New Energy Co., Ltd. ("**Shuifa Chenxu**") in Heze High-tech Zone of the PRC ("**Project 2**"); and (iii) the 0.432MW rooftop distributed photovoltaic project of Shuifa Energy in Yantai City, Fushan District of the PRC ("**Project 3**"). Project 1, Project 2 and Project 3 are the only projects of Shuifa Clean Energy Group which are in operation as at the Latest Practicable Date.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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The Board considers that the methods, parameters and principal assumptions used in the valuation of the 100% equity interest in Shuifa Clean Energy by the Valuer (the valuation report of which is set out in Appendix VII to the Circular) are fair and reasonable on the basis that (i) the Directors have conducted an interview with the responsible persons of the Valuer to understand their experience in undertaking valuation of comparable energy companies, and the key assumptions and methodologies adopted in the valuation report of the 100% equity interest in Shuifa Clean Energy (which is set out in Appendix VII to the Circular); (ii) the Directors have reviewed the valuation report of the 100% equity interest in Shuifa Clean Energy by the Valuer and understand that the market approach was adopted as a methodology in the valuation; and (iii) the valuation of the 100% equity interest in Shuifa Clean Energy was arrived upon comparing with the valuations in other transactions in similar industry(ies).

Based on the consolidated financial statements of Shuifa Clean Energy prepared in accordance with the IFRSs, the profit or loss of Shuifa Clean Energy before and after taxation for FY2020, FY2021 and for the nine months ended 30 September 2022 are as follows:

	<b>FY2020</b>	<b>FY2021</b>	<b>For the nine months ended 30 September 2022</b>
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net profit/(loss) before taxation	(10,137,000)	57,706,000	78,537,000
Net profit/(loss) after taxation	(26,523,000)	53,219,000	74,008,000

As at 30 September 2022, the audited consolidated net assets value of Shuifa Clean Energy under IFRSs was approximately RMB301,067,000.

The turnaround from net loss to net profit after taxation of Shuifa Clean Energy for FY2021 was mainly due to the increase in revenue driven from the demand for energy related products in the market.

As stated in the Letter from the Board, Yijun Tianxing is (i) a wholly-owned subsidiary of Changzhou Zhuohui New Energy Development Co., Ltd., which is a non-wholly owned subsidiary of Shuifa Clean Energy; and (ii) the investment filing entity of Project 1. Shuifa Chenxu is a direct wholly-owned subsidiary of Shuifa Clean Energy, and the investment filing entity of Project 2. Notwithstanding the investment filing entity of Project 3 is Shuifa Energy, Shuifa Clean Energy (Fushan) Co., Limited (“**Shuifa Clean Energy (Fushan)**”) is the de facto entity in charge of the project. Shuifa Clean Energy (Fushan) is a direct non-wholly owned subsidiary of Shuifa Clean Energy. The investment filing entity of Project 3 is Shuifa Energy and the relevant investment filing was made on 9 October 2021 as Shuifa Clean Energy (Fushan) was not established yet at the time when the relevant filing was made. Shuifa Clean Energy (Fushan) was established on 24 November 2021. Save for Project 3, in respect of each of the other operating projects (namely Project 1 and Project 2), the relevant subsidiary of Shuifa Clean Energy operating the relevant project is the investment filing entity of the project.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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The operating assets of Project 3 are owned by Shuifa Clean Energy (Fushan). The relevant PRC governmental authority has issued a document in September 2022 stating that in relation to Project 3 (the filing of which was made by Shuifa Energy), Shuifa Clean Energy (Fushan) shall be responsible for the implementation of such project. Shuifa Clean Energy and Shuifa Clean Energy (Fushan) will use their best endeavours to procure that a new filing application will be made under the name of Shuifa Clean Energy (Fushan) with the relevant photovoltaic project registration authority such that the investment filing entity of Project 3 will become Shuifa Clean Energy (Fushan).

In relation to the rooftop distributed photovoltaic project (“**Laizhou Project**”), which Shuifa Clean Energy (Laizhou) Co., Limited (“**Shuifa Clean Energy (Laizhou)**”), a non-wholly subsidiary of Shuifa Clean Energy, is responsible for, the investment filing entity and the responsible entity of the Laizhou Project are Shuifa Energy and Shuifa Clean Energy (Laizhou), respectively. Shuifa Clean Energy and Shuifa Clean Energy (Fushan) will use their best endeavours to procure that a new filing application will be made under the name of Shuifa Clean Energy (Laizhou) with the relevant photovoltaic project registration authority such that the investment filing entity of Laizhou Project will become Shuifa Clean Energy (Laizhou). Save as disclosed above, in respect of each of the non-operating projects of Shuifa Clean Energy Group, the relevant subsidiary of Shuifa Clean Energy responsible for the relevant project is the investment filing entity of the project.

As the net asset value of Shuifa Clean Energy (Fushan) merely amounted to approximately RMB14 million as at 30 September 2022, the Directors consider that such amount is immaterial as compared to the total appraised value of 100% equity interest of Shuifa Clean Energy of RMB387 million as disclosed in the valuation report on Shuifa Clean Energy set out in Appendix VII to the Circular. As confirmed by the PRC Legal Adviser, the rectification of the defect is in progress and no legal impediments are expected, and as such, the risk of Shuifa Clean Energy being subject to administrative penalties due to the aforementioned defects in relation to Project 3 and Laizhou Project is low. As such, the Directors consider that there is no material adverse impact on the financial position and operations of Shuifa Clean Energy Group as a whole.

According to the Letter from the Board, as at the Latest Practicable Date, there are defects in certain approval procedures of a number of photovoltaic projects under Shuifa Clean Energy and certain subsidiaries of Shuifa Clean Energy which are mostly currently dormant, are being included in the List of Enterprises with Abnormal Operations as a result of not publishing the relevant annual reports as prescribed by the relevant regulation.

As confirmed by the PRC Legal Adviser, the defects in certain approval procedures of a number of photovoltaic projects under Shuifa Clean Energy can be rectified by having the relevant entities in relation to the projects to supplement and proceed with the necessary procedures with the relevant authorities. Shuifa Clean Energy is currently in the process of preparing to supplement and proceed with the necessary procedures with the relevant authorities. The PRC Legal Adviser confirmed that no legal impediment is currently expected in relation to supplementing and proceeding with the necessary procedures with the relevant authorities.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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As confirmed by the PRC Legal Adviser, the subsidiaries of Shuifa Clean Energy which are being included in the List of Enterprises with Abnormal Operations could apply to be removed from such list after publishing the relevant annual reports as prescribed by the relevant regulation. The relevant subsidiaries of Shuifa Clean Energy have already submitted the relevant annual reports to the relevant authorities. They intend to apply to be removed from such list after publishing the relevant annual reports. The rectification of the defects in relation to approval procedures of a number of photovoltaic projects under Shuifa Clean Energy and that certain subsidiaries of Shuifa Clean Energy are being included in the List of Enterprises with Abnormal Operations are in progress and are expected to be removed from the such list within the next few months. The PRC Legal Adviser expected no legal impediments during the progress.

Based on the above, as confirmed by the PRC Legal Adviser, the risk of Shuifa Clean Energy being subject to administrative penalties due to the aforementioned defects is low. As such, the Directors consider that there may not be any material adverse impact on the financial position and operations of Shuifa Clean Energy Group. Hunan Shuifa Singyes will be indemnified against any potential losses arising from, including but not limited to, administrative penalties (where applicable), by Shuifa Energy in accordance with the Supplemental Share Subscription Agreement.

As at the Latest Practicable Date, the Directors do not foresee any potential material losses, disputes, or penalties against Shuifa Clean Energy arising or resulting from the issues disclosed in the paragraph headed “Subject matter” in the section headed “(iv) Supplemental Share Subscription Agreement” in the Letter from the Board. Please refer to the paragraphs headed “Subject matter” in the section headed “(iv) Supplement Share Subscription Agreement” in the Letter from the Board for the indemnities undertaken by Shuifa Energy under the Supplemental Share Subscription Agreement.

We have reviewed of the legal due diligence report of Shuifa Clean Energy provided by the PRC Legal Adviser and the subsequent correspondence between the Company and the PRC Legal Adviser in respect of the breaches or non-compliances and understand from the Company that Shuifa Clean Energy has already applied for the approvals in respect of the above breaches or non-compliances and the Share Subscription has been approved by Qilu Stock Right Trading Center. As discussed with the management of the Company, so far, Shuifa Clean Energy has not received any notice or penalties from any government body in respect of the above breaches or non-compliances. Based on the Directors’ experience and knowledge in solar power projects, the confirmation from the PRC Legal Adviser and together with the Vendor’s indemnity, the Directors concluded that the impact of the above breaches or non-compliances to the financial position and business operation of Shuifa Clean Energy are considered immaterial. After discussing with the management of the Company and reviewing the approval document made by Qilu Stock Right Trading Center, the legal due diligence report and subsequent correspondence between the Company and the PRC Legal Adviser, and also considering the undertakings made and indemnities undertaken by Shuifa Energy for any potential material losses, disputes, or penalties against Shuifa Clean Energy rising or resulting from any breaches or non-compliance under the Supplemental Share Subscription Agreement, we agree with the view of the Board that the Share Subscription is fair and reasonable.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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#### 4. Principal terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement

The principal terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement are set out as follows:

*(a) Share Transfer Agreement I*

*Date*

9 December 2022 (after trading hours) (as amended and supplemented on 24 February 2023)

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

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

As at the Latest Practicable Date, (i) all of the above conditions cannot be waived; and (ii) save for the board of directors of Hunan Shuifa Singyes and Shuifa Energy having approved the Share Transfer I, the above conditions have not been fulfilled.

*Parties*

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

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



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### *Subject Matter*

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

### *Consideration*

The consideration payable by Hunan Shuifa Singyes to Shuifa Energy for Share Transfer I is RMB294,779,800 (equivalent to approximately HK\$333,101,174), which shall be payable by wire transfer by Hunan Shuifa Singyes to Shuifa Energy in three instalments as follows:

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

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

### *Basis of Consideration*

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



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### *Conditions Precedent*

Completion of Share Transfer I is conditional upon the following Share Transfer I CPs having been fulfilled by Hunan Shuifa Singyes and Shuifa Energy:

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

All of the conditions set out in paragraphs (a) to (g) cannot be waived in writing.

As at the Latest Practicable Date, apart from the board of directors of each of Hunan Shuifa Singyes and Shuifa Energy having approved Share Transfer I under paragraph (a), the conditions set out in paragraphs (c) and (g) above have also been fulfilled.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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

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

The condition set out in paragraph (a) above can be waived by Shuifa Energy in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

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

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

The conditions set out in paragraphs (a), (c) and (d) above can be waived by Hunan Shuifa Singyes in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### *Completion*

Completion of Share Transfer I shall take place on the Share Transfer I Completion Date of all the following:

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

Completion of the transactions contemplated under the Share Transfer Agreement I and completion of the transactions contemplated under Share Transfer Agreement II are inter-conditional. If any condition of one of the transactions cannot be fulfilled resulting in such transaction cannot be completed, completion will not take place in respect of the other transaction.

### *Consideration Adjustment*

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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“Shareholders’ equity being abnormally reduced” specifically refers to capital withdrawal by the shareholder(s), abnormal distribution of dividends, fictitious debt of the target company and sale of assets of the target company at a discounted price.

### *Special Agreement and Undertakings*

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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iii. all losses as a result of Shuifa Energy (Tongyu) being unable to obtain change approval upon exceeding the approved construction capacity of the project wind farm.

(4) Shuifa Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement I with a total rental amount and handling charges of approximately RMB2,904,432,271.66. Upon the signing of Share Transfer Agreement I, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement I, and there is no breach of the Financial Lease Agreement I.

(5) Shuifa Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement II with a total rental amount and handling charges of approximately RMB580,058,260.78. Upon the signing of Share Transfer Agreement I, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement II, and there is no breach of the Financial Lease Agreement II.

**(b) *Share Transfer Agreement II***

*Date*

9 December 2022 (after trading hours) (as amended and supplemented on 24 February 2023)

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

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

As at the Latest Practicable Date, (i) all of the above conditions cannot be waived; and (ii) save for the board of directors of Hunan Shuifa Singyes and Shuifa Energy having approved the Share Transfer II, the above conditions have not been fulfilled.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### *Parties*

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

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

### *Subject Matter*

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

### *Consideration*

The consideration payable by Hunan Shuifa Singyes to Shuifa Fengyuan Energy for Share Transfer II is RMB196,519,900 (equivalent to approximately HK\$222,067,487), which shall be payable by wire transfer by Hunan Shuifa Singyes to Shuifa Fengyuan Energy in three instalments as follows:

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

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### *Basis of Consideration*

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

### *Conditions Precedent*

Completion of Share Transfer II is conditional upon the following Share Transfer II CPs having been fulfilled by Hunan Shuifa Singyes and Shuifa Fengyuan Energy:

- (a) The board of directors and shareholders of each of Hunan Shuifa Singyes and Shuifa Fengyuan Energy having approved Share Transfer II;
- (b) other shareholders of Shuifa Energy (Tongyu), having provided a written confirmation on waiving their pre-emptive rights in connection with Share Transfer II;
- (c) Hunan Shuifa Singyes and Shuifa Fengyuan Energy having completed the internal approval procedures of state-owned enterprise of the PRC in respect of Share Transfer II, including but not limited to obtaining internal approvals from the Shuifa Fengyuan Energy and Shuifa Group and approvals from the State-owned Assets Supervision and Administration Commission of the State Council (if necessary);
- (d) the Independent Shareholders having approved the transactions contemplated under Share Transfer Agreement II in accordance with the Listing Rules;
- (e) the Company, being the controlling shareholder of Hunan Shuifa Singyes, having obtained approval in relation to Share Transfer II from the Stock Exchange in accordance with the Listing Rules (if necessary);
- (f) Huaneng Tiancheng having agreed to cooperate with Shuifa Fengyuan Energy to discharge the pledge on 16% equity interest in Shuifa Energy (Tongyu); and



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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- (g) Shuifa Fengyuan Energy having extended the registered capital paid-up period and having complete the change or record of registration at the local Administration of Market Regulation, in order to rectify the irregularity of the registered capital of Shuifa Energy (Tongyu) not being paid out as scheduled.

All of the conditions set out in paragraphs (a) to (g) cannot be waived in writing.

As at the Latest Practicable Date, apart from the board of directors of each of Hunan Shuifa Singyes and Shuifa Energy having approved Share Transfer II under paragraph (a), the conditions set out in paragraphs (c) and (g) above have also been fulfilled.

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

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

The condition set out in paragraph (a) above can be waived by Shuifa Fengyuan Energy in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

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

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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- (d) there has not been any material adverse effect or change on Shuifa Energy (Tongyu) since 30 April 2022.

The conditions set out in paragraphs (a), (c) and (d) above can be waived by Hunan Shuifa Singyes in writing but the condition set out in paragraph (b) cannot be waived in writing.

As at the Latest Practicable Date, the condition set out in paragraph (b) above has been fulfilled.

### *Completion*

Completion of Share Transfer II shall take place on the Share Transfer II Completion Date of all of the following:

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

Completion of the transactions contemplated under the Share Transfer Agreement I and completion of the transactions contemplated under Share Transfer Agreement II are inter-conditional. If any condition of one of the transactions cannot be fulfilled resulting in such transaction cannot be completed, completion will not take place in respect of the other transaction.

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### *Consideration Adjustment*

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

“Shareholders' equity being abnormally reduced” specifically refers to capital withdrawal by the shareholder(s), abnormal distribution of dividends, fictitious debt of the target company and sale of assets of the target company at a discounted price.

### *Special Agreement and Undertakings*

- (1) Shuifa Fengyuan Energy shall be liable for, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer II, any losses suffered by Shuifa Energy (Tongyu) arising from or resulting from acts or facts already existing prior to the Share Transfer II Completion Date, including but not limited to construction, operation, labour employment, taxation and debts (including contingent liabilities).
- (2) Shuifa Fengyuan Energy shall be liable for, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer II, any disputes, losses and damages suffered by Shuifa Energy (Tongyu) before the Share Transfer II Completion Date, arising from the performance of employment relationship, including but not limited to disputes with the employees or administrative penalties.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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- (3) Shuifa Fengyuan Energy has undertaken to indemnify and kept indemnified each of Shuifa Energy (Tongyu) and Hunan Shuifa Singyes, in proportion to its shareholding in Shuifa Energy (Tongyu) immediately before completion of Share Transfer II, against any losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines which any of them may suffer, sustain or incur (as the case may be) in connection with (a) any breach or non-compliance of the requirements of the PRC laws and rules by Shuifa Energy (Tongyu) prior to the date of completion of Share Transfer II, and (b) any deficiency or defects of the ownerships and rights of use of the lands and assets currently held or leased by Shuifa Energy (Tongyu); and (c) enforcing the legal rights in connection with the debts or contracts of Shuifa Energy (Tongyu) prior to the completion of Share Transfer II, including but not limited to:
- i. the handling charges of the relevant procedures of the construction of project wind farm of Shuifa Energy (Tongyu) and the losses as a result of drawbacks including administrative penalties arising from Shuifa Energy (Tongyu) being unable to process the relevant procedures and commencing construction before obtaining approval;
  - ii. the handling charges of the relevant procedures of the right of use of land in relation to the project wind farm of Shuifa Energy (Tongyu) and the losses as a result of drawbacks including administrative penalties arising from Shuifa Energy (Tongyu) occupying the land without being granted with the right of use; and
  - iii. all losses as a result of Shuifa Energy (Tongyu) being unable to obtain change approval upon exceeding the approved construction capacity of the project wind farm.
- (4) Shuifa Fengyuan Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement I with a total rental amount and handling charges of approximately RMB2,904,432,271.66. Upon the signing of Share Transfer Agreement II, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement I, and there is no breach of the Financial Lease Agreement I.
- (5) Shuifa Fengyuan Energy warrants that Shuifa Energy (Tongyu) and Huaneng Tiancheng have signed the Financial Lease Agreement II with a total rental amount and handling charges of approximately RMB580,058,260.78. Upon the signing of Share Transfer Agreement II, Shuifa Energy (Tongyu) shall pay the rent in full and on time to Huaneng Tiancheng in accordance with the Financial Lease Agreement II, and there is no breach of the Financial Lease Agreement II.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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(c) *Share Subscription Agreement*

*Date*

9 December 2022 (after trading hours) (as amended and supplemented on 24 February 2023)

The Share Subscription Agreement is formed upon execution and affixation of company seal thereon by the legal representative or authorised representative of both parties and will become effective when the board of directors and shareholders of Shuifa Clean Energy having approved the Share Subscription.

*Parties*

1. Shuifa Clean Energy, as the issuer; and
2. Hunan Shuifa Singyes, as the subscriber.

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

*Subject matter*

Pursuant to the Share Subscription Agreement, Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at an aggregate subscription price of RMB503,774,500 (equivalent to approximately HK\$569,265,185).

*Subscription price and payment schedule*

The subscription price per share payable by Hunan Shuifa Singyes to Shuifa Clean Energy is RMB4.77. Therefore, the aggregate subscription price payable by Hunan Shuifa Singyes to Shuifa Clean Energy for the Share Subscription will be RMB503,774,500 (equivalent to approximately HK\$569,265,185), which shall be settled by cash and payable by Hunan Shuifa Singyes to Shuifa Clean Energy in a manner approved by Qilu Stock Right Trading Center and in the manner prescribed in the share subscription announcement published by Shuifa Clean Energy on the disclosure platform of Qilu Stock Right Trading Center. The payment schedule is as follows:

- (a) subject to the satisfaction of the conditions precedent set out in the Share Subscription Agreement, by 31 December 2022 (or at any later date as agreed by both parties), RMB105,613,100 as paid-up capital of Shuifa Clean Energy; and

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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- (b) RMB398,161,400 shall be paid on 31 December 2025 (or such other date as may be agreed in writing by Hunan Shuifa Singyes and Shuifa Clean Energy) (which can be paid in advance of the due date by written confirmation from both parties).

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

As at 31 December 2022, since not all the conditions precedent set out in the Share Subscription Agreement have been fulfilled, the payment of RMB105,613,000 will be made on a date after such conditions precedent have been fulfilled and which is to be agreed by both parties.

Shuifa Clean Energy shall engage an accounting firm with securities-related qualifications to complete the capital verification after receiving the first instalment of the aggregate subscription price paid by Hunan Shuifa Singyes for the Share Subscription, and submit the filing documents and application in respect of the Share Subscription to Qilu Stock Right Trading Center after the issuance of the capital verification report, after which it can proceed with the corresponding change in industrial and commercial registration and share change registration procedures. For details, please refer to the section headed “Share registration” in the Letter from the Board.

### *Basis of Consideration*

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

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### *Conditions Precedent*

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

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

The conditions set out in paragraphs (a) to (d) cannot be waived in writing. The conditions set out in paragraphs (e) and (f) can be waived by Hunan Shuifa Singyes in writing.

As at the Latest Practicable Date, the conditions set out in paragraphs (a), (c) and (d) above have been fulfilled.

### *Completion*

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



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### *Share registration*

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

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

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

### *Ex-dividend and undistributed profits*

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

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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*(d) Supplemental Share Subscription Agreement*

*Date*

9 December 2022 (after trading hours)

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

*Parties*

1. Shuifa Energy, as the controlling shareholder of Shuifa Clean Energy; and
2. Hunan Shuifa Singyes, as the subscriber.

*Subject matter*

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

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### 5. Valuation of the Target Companies

According to the HK Valuation Reports as set out in the Appendix VI and Appendix VII to the Circular, the valuation of the 100% equity interest in Shuifa Energy (Tongyu) is approximately RMB1,245,624,000 using market approach as at 30 September 2022 by the Valuer and the valuation of the 100% equity interest in Shuifa Clean Energy is approximately RMB387,187,000 using market approach as at 30 September 2022 by the Valuer.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's background and qualification in relation to the preparation of the HK Valuation Reports; and (iii) the steps and due diligence measures taken by the Valuer for conducting the HK Valuation Reports. From the information provided by the Valuer and based on our discussion with them, we understand that the responsible officer of the Valuer for the valuation of the Target Company has over 20 years of experience in valuation. Furthermore, the Valuer has provided wide range of valuation services to numerous companies, including stated-owned enterprises, Hong Kong-listed companies and PRC-based companies listed in United State of America. Therefore, we were satisfied with the Valuer's qualification for preparation of the HK Valuation Reports.

In assessing the fairness and reasonableness of the consideration of the Acquisitions, we have reviewed the HK Valuation Reports and upon our further enquiries with the Valuer, we understand that enterprise valuation approaches can be generally divided into market approach, income approach and asset-based approach:

- (1) The market approach is a general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to market comparables. For the market approach to be used, a sufficient number of comparable companies to make comparisons must be available, with the industry composition must be such that meaningful comparisons can be made.
- (2) The income approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the income approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.
- (3) The asset-based approach is a general way of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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In determining which method or methods to use in the valuation of the Target Companies, the Valuer have held discussion with the management and have considered the business nature, the current financial position and the future prospective of the Target Companies. The Valuer considers that the market approach is more appropriate for valuing the Target Companies as the asset-based approach does not directly incorporate information about the future economic benefits contributed by the Target Companies and the income approach, which requires financial projections for the Target Companies, is also considered to be inappropriate as it involves considerable assumptions which are difficult to verify and the information is not available to us.

We have also reviewed the valuation assumptions in the HK Valuation Reports as set out in Appendix VI and VII of the Circular respectively. We have inquired the Valuer on the applicability of the abovementioned assumptions and we understand that such assumptions are generally and consistently adopted in other business valuation exercises and are in line with the market practices. We are therefore of the view that the assumptions adopted in the valuation are fair and reasonable and appropriate for valuation of the Target Companies.

Under market approach, the Valuer adopted the guideline public traded company method in conducting the valuation of the Target Companies. We note that the Valuer selected the comparable listed companies for the valuation of the Target Companies with selection criteria including (i) listing in recognized stock exchange and its stock has an active trading profile; (ii) engaging in similar business activities as the Target Companies, i.e., renewable energy; and (iii) operating in a similar geography as the Target Companies, i.e., the PRC and Hong Kong.

Based on the aforesaid research criteria and as advised by the Valuer, the research conducted by the Valuer under guideline public companies method of the market approach, has covered the companies listed and actively traded in public exchanges. Despite the Acquisitions to be carried out by the Company which is listed in the Stock Exchange, the Valuer considers that the valuation was performed on the market value basis and an exhaustive and inclusive list of comparable companies with shares publicly and actively traded is necessary to provide the indication of the value. The selection criteria enable the Valuer to identify companies that mainly operates similar activity in the same geographical region of the Target Companies, with sufficient data publicly available for the Valuer to conduct the Valuation. We consider that the selection criteria adopted by the Valuer in identifying the comparable companies in terms of similar principal business and geographical operation for valuation analysis are appropriate and reasonable. Based on our independent research on the comparable companies selected by the Valuer, we are of the view that all of the comparable companies fit the selection criteria and are fair and representative.

We note that Valuer has applied the price-to-book (“P/B”) ratio to arrive at the valuation of the Target Companies. After discussing with the Valuer, we understand that as the Target Companies are considered to be heavy-asset companies, P/B ratio can reflect the latest financial position of the Target Companies in comparison to the comparable companies identified under the above criteria. Furthermore, as (i) Shuifa Energy (Tongyu) was established in January 2021 and is still in its early stage of production; and (ii) Shuifa Clean Energy is expected to undertake a number of photovoltaic projects in the coming years, the Valuer considered it would be relatively difficult to determine the normalized earnings for valuation purpose. Therefore, based on the above conclusion of our discussion with the Valuer, we consider the application of P/B ratio is fair and reasonable.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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After the Valuer computed the base P/B ratio of the comparable companies, the Valuer adjusted such ratio by certain factors, including the control premium and discount on lack of marketability, to arrive at the adjusted P/B ratio of the comparable companies. We understand from the Valuer that the adjustments were made principally to reflect the difference in size and marketability among the Target Companies and comparable companies. In respect of the control premium and discount on lack of marketability, we note that the Valuer, with reference to market research and studies, applied a premium of 20% and a discount of 15% to the valuation of Target Companies to reflect the price premium for controlling interest of a company and the cost associated with locating interested and capable buyers of interest in privately held companies, respectively. We consider the adjustments are appropriate as the Target Companies will become non-wholly owned subsidiaries of the Group after the Acquisitions and the shares of the Target Companies are not publicly traded on any public exchanges.

Based on our review on the HK Valuation Reports and our discussion with the Valuer in relation to the analysis of (i) selection of valuation methodology; (ii) the assumptions applied to the valuation analysis; (iii) selection criteria of the comparable listed companies; and (iv) the valuation adjustments applied due to the control premium and discount on lack of marketability, we consider that the methodology, principal bases, assumptions and parameters adopted for the HK Valuation Reports are appropriate and reasonable.

Based on the valuation of the 100% equity interest in Shuifa Energy (Tongyu) of approximately RMB1,245,624,000, the aggregate consideration of Share Transfer Agreements of approximately RMB491,299,700 is considered fair and reasonable as compared to the 40% of appraised equity interest in Shuifa Energy (Tongyu) of approximately RMB498,249,600.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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As the valuation of Shuifa Clean Energy was conducted before the inclusion of the registered capital of Shuifa Clean Energy of (i) RMB80,000,000 which was paid by Shuifa Energy on 18 November 2022; and (ii) RMB1,176,900 which was paid by Linre New Energy on 21 November 2022 (together as “**Capital Payment**”), in order to assess the fairness of the Share Subscription with reference to the valuation of Shuifa Clean Energy, set out below is our quantitative assessment on the amount of the Share Subscription in respect of the valuation of Shuifa Clean Energy:

<b>Items</b>	<b>Approximately RMB</b>
Appraised equity interests under the valuation of the Shuifa Clean Energy as at 30 September 2022	387,187,000
The Capital Payment	81,176,900
The Share Subscription	503,774,500
Sum of the appraised equity interests under the valuation of Shuifa Clean Energy, the Share Subscription and the Capital Payment, representing the theoretical post-money value of the Shuifa Clean Energy immediately after the Share Subscription	972,138,400
51% of the sum of the appraised equity interests under the valuation of the Shuifa Clean Energy, the Share Subscription and the Capital Payment	495,790,584

As illustrated in the above table, although the monetary amount of the Share Subscription (i.e., RMB503,774,500), which represents the total capital contribution made by Hunan Shuifa Singyes to Shuifa Clean Energy for the 51% of equity interests of Shuifa Clean Energy after the Share Subscription, is slightly higher than 51% of the sum of the appraised equity interests under the valuation of Shuifa Clean Energy, the Share Subscription and the Capital Payment (i.e. RMB495,790,584), we consider the Share Subscription is still fair and reasonable after considering the following factors:

- (i) the premium of the Share Subscription to the 51% of the sum of the appraised equity interests under the valuation of Shuifa Clean Energy, the Share Subscription and the Capital Payment is only approximately 1.6%;
- (ii) the reasons for and benefits of the Share Subscription as further discussed under the paragraph headed “6. Reasons for and benefits of the Acquisitions” in this letter below;

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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- (iii) the financial performance of Shuifa Clean Energy, in particular, the audited net profit after taxation of Shuifa Clean Energy for the nine months ended 30 September 2022 was approximately RMB74.01 million. Based on the trend of the financial growth of Shuifa Clean Energy, it is expected the net profit after taxation for the year ending 31 December 2022 would exceed the record FY2021 of approximately RMB53.22 million; and
- (iv) the future prospects of Shuifa Clean Energy as Shuifa Clean Energy currently has three projects in operation and has also filed nine applications for approval of establishment of solar power projects.

### 6. Reasons for and benefits of the Acquisitions

According to the Letter from the Board, as a renewable energy solutions provider and building contractor in PRC, the Group aims to transform into a high-quality green power operator with comprehensive capabilities, emerging as an industry leader in the green energy sector. The Group has endeavoured to identify suitable acquisition targets to diversify its existing renewable power plant portfolio, to scale up its business to additional provinces in the PRC, and to enhance the competitiveness and profitability of the Group, ultimately maximizing returns to Shareholders. In 2020, the Group further diversified its business into Wind Power EPC.

As stated in the Annual Report 2021, the Group aspires and strives to grow into an enterprise with a focus on renewable energy business. Wind Power EPC accounted for approximately 52.2% of the Group's revenue and achieved a gross profit margin of approximately 19.1% for the six months ended 30 June 2022. As Shuifa Energy (Tongyu) is a wind farm operator, the principal business of Shuifa Energy (Tongyu) is expected to create synergies with the Group's existing business.

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

The PRC government has expressed its goal of "achieving the carbon peak by 2030 and carbon neutrality by 2060" in the Climate Ambition Summit, officially opening the era of climate economy in China. In the Summit, it was proposed that the total installed capacity of wind power and solar power generation would reach more than 1.2 billion kilowatts (kW) and the installed capacity will triple by the end of 2030, exceeding the total global installed capacity. With the support by the PRC government and its announced climate goals, the Directors believe that the Acquisitions are considered to be suitable investments with good prospects and potential returns.



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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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The Group's solar projects include BIPV system, roof top solar system and ground mounted solar system. The BIPV system involves (i) the integration of photovoltaic technology into the architectural design of buildings and structures and (ii) the conversion of solar energy into electricity for use. The Group's revenue from its Solar EPC business for HY2022 increased by 70.2% as compared to that for HY2021. As Shuifa Clean Energy is principally engaged in the business of sale of electricity, the principal business of Shuifa Clean Energy is in line with the Group's existing business.

Following completion of the whitewash transaction, Shuifa Energy became a majority shareholder of the Company in late November 2019. Since the completion of the debt restructuring scheme in December 2019, the Company has been exploring ways for the Group to expand its clean energy business and strengthen its financial performance. As stated in the annual report of the Company for the year ended 31 December 2019, the Company planned to tap into the broader clean energy sector and develop other forms of clean energy business, such as gas, heating and hydrogen energy, with the ultimate goal of developing a clean energy industry cluster with multiple capabilities and complementary advantages. As stated in the Annual Report 2021, the Group aimed to accelerate its transformation into a high-quality green power operator with core competitiveness and become a large-scale leading clean energy enterprise.

As at the Latest Practicable Date, the Group has no on-grid wind power station, therefore, the Acquisitions can substantially expand the wind energy business of the Group. With respect to solar farms, the Acquisitions are expected to complement the Group's existing solar power stations in Northwest China and increase the Group's solar power capacity. Taking into account the growth potential of the renewable energy sector, high quality assets of the Target Companies and the current portfolio of the Group, the Directors consider that the Acquisitions are in line with the Group's principal businesses and are in the interests of the Company and the Shareholders.

The Acquisitions are expected to strengthen the Group's financial performance while expanding its portfolio of power generation projects. It is the Group's strategy to identify suitable investment opportunities in wind power projects and photovoltaic projects with good prospects, potential for stable returns and environmental effectiveness. As at the Latest Practicable Date, the project owned by Shuifa Energy (Tongyu) has already been completed and commissioned and is currently fully operational and generating revenue. Taking into account the installed capacity, operation period, tariff and annual power generation of the project owned by Shuifa Energy (Tongyu), the Directors consider that the Share Transfers will enable the Group to further expand its scale of business in the wind energy sector, presenting a good opportunity for the Group's long-term development and enhancing return to Shareholders. The Directors are optimistic about the prospect of the business of photovoltaic power generation of Shuifa Clean Energy, which operates three projects and has nine new projects in the pipeline, and expected development of Shuifa Clean Energy over the coming years. The Directors are of the view that the Share Subscription signifies the Group's expansion of its photovoltaic power business in the PRC.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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The Directors consider that the Acquisitions are in line with the future development plans of the Group, the Target Companies are fully operational and are income-generating, the Directors are of the view that the terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023), the Acquisitions and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

We note that, in the Annual Report 2021, it is disclosed that as the Solar EPC business was not as profitable as what the Group made before year 2018 due to price hikes in solar modules in response to the material shortages and high transportation costs, the Group further diversified its business into Wind Power EPC. We have enquired the management of the Company about the Acquisitions and the business strategy of the Group and the Company replied that the Solar EPC business refers to the construction services for the construction of the solar power projects, while Shuifa Clean Energy is the asset owner of the solar power projects, which the major revenue of Shuifa Clean Energy is from sale of electricity. The Acquisitions are considered the expansion of the portfolio of power generation projects of the Group as the Group has no on-grid wind power station and will also benefit from the continuous expansion of photovoltaic projects of Shuifa Clean Energy. Also, after the Acquisitions, revenue from sale of electricity of the Target Companies will provide additional income to the Group.

After considering (i) the reasons for and benefits of the Acquisitions; (ii) the Acquisitions are in line with the Group's business strategy; (iii) the PRC government's policy and target goal in respect of the carbon neutrality; and (iv) the Acquisitions will expand the Group's portfolio of power generation projects and the Target Companies will provide additional income to the Group after the Acquisitions, we consider the Acquisitions are fair and reasonable investment to the Company and the Shareholders as a whole.

### **7. Financial effects of the Acquisitions**

Completion of the transactions contemplated under the Share Transfer Agreements and completion of the transactions contemplated under the Share Subscription are not inter-conditional.

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

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

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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### **Assets and Liabilities**

Based on the unaudited pro forma financial information as set out in Appendix V to the Circular, assuming that completion of the Share Transfers and the Share Subscription had taken place on 30 June 2022, the total assets of the Group would have increased by approximately RMB3.4 billion after completion of the Share Transfers and approximately RMB1.9 billion after completion of the Share Subscription on a pro forma basis, the total liabilities of the Group would have increased by approximately RMB3.2 billion after completion of the Share Transfers and approximately RMB1.6 billion after completion of the Share Subscription on a pro forma basis, and the net assets of the Group would have increased by approximately RMB0.2 billion after completion of the Share Transfers and approximately RMB0.3 billion after completion of the Share Subscription on a pro forma basis.

### **Earnings**

As set out in the Accountant's Report on Shuifa Energy (Tongyu) and Shuifa Clean Energy included in Appendix II and III to the Circular, the profits attributable to owners of Shuifa Energy (Tongyu) and Shuifa Clean Energy were approximately RMB90.0 million and RMB66.1 million for the nine months ended 30 September 2022 respectively. It is anticipated that the Acquisitions will have a positive effect on the Group's earnings upon completion.

### **RECOMMENDATION**

Having considered the abovementioned principal factors and reasons, in particular, that (i) the principal terms of the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023); (ii) the valuation of the Target Companies by the Valuer; and (iii) the reasons for and benefits of the Acquisitions, we are of the view that although the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the transactions contemplated thereunder are not ordinary and usual course of business of the Company, the terms are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM INCU CORPORATE FINANCE LIMITED

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Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Share Transfer Agreements, the Share Subscription Agreement and the Supplemental Share Subscription Agreement (as amended and supplemented by respective supplemental agreements on 24 February 2023) and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**INCU CORPORATE FINANCE LIMITED**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the annual reports of the Company for the financial years ended 31 December 2019 (pages 75 to 276), 31 December 2020 (pages 78 to 304) and 31 December 2021 (pages 77 to 264), respectively.

The unaudited condensed consolidated financial statements of the Group, together with the accompanying notes, for the six months ended 30 June 2022 are disclosed in the interim report of the Company for the six months ended 30 June 2022 (pages 22 to 80).

The said annual reports and interim report of the Company are available on the Company's website at [www.sfsyenergy.com](http://www.sfsyenergy.com) and website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) through the links below:

- The 2019 Annual Report of the Company for the year ended 31 December 2019 (pages 75 to 276) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400407.pdf>)
- The 2020 Annual Report of the Company for the year ended 31 December 2020 (pages 78 to 304) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0420/2021042000323.pdf>)
- The 2021 Annual Report of the Company for the year ended 31 December 2021 (pages 77 to 264) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801519.pdf>)
- The 2022 Interim Report of the Company for the period ended 30 June 2022 (pages 22 to 80) (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0902/2022090200884.pdf>)

## 2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

### Borrowings

As at the close of business on 31 December 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

Shuifa Energy (Tongyu) had the following borrowings:

	Secured and guaranteed <i>RMB</i>	Unsecured but guaranteed <i>RMB</i>	Unguaranteed but secured <i>RMB</i>	Unsecured and unguaranteed <i>RMB</i>	Total <i>RMB</i>
<b>Borrowings</b>					
- Other borrowings	2,662,856,000	-	-	-	2,662,856,000

Shuifa Clean Energy had the following borrowings:

	Secured and guaranteed <i>RMB</i>	Unsecured but guaranteed <i>RMB</i>	Unguaranteed but secured <i>RMB</i>	Unsecured and unguaranteed <i>RMB</i>	Total <i>RMB</i>
<b>Borrowings</b>					
– Bank borrowings	868,000,000	–	–	–	868,000,000
– Bond payable	–	58,700,000	–	–	58,700,000
– Other borrowings	30,922,000	–	–	–	30,922,000
– Related party borrowings	–	–	–	105,848,000	105,848,000

The Group had the following borrowings:

	Secured and guaranteed <i>RMB</i>	Unsecured but guaranteed <i>RMB</i>	Unguaranteed but secured <i>RMB</i>	Unsecured and unguaranteed <i>RMB</i>	Total <i>RMB</i>
<b>Borrowings</b>					
– Bank borrowings	937,228,000	1,250,194,000	292,981,000	6,000,000	2,486,403,000
– Other borrowings	3,504,149,000	–	96,000,000	–	3,600,149,000
– Related party borrowings	–	–	–	1,954,048,000	1,954,048,000
– Bond payable	–	696,460,000	–	–	696,460,000

The Enlarged Group had the following borrowings:

	Secured and guaranteed <i>RMB</i>	Unsecured but guaranteed <i>RMB</i>	Unguaranteed but secured <i>RMB</i>	Unsecured and unguaranteed <i>RMB</i>	Total <i>RMB</i>
<b>Borrowings</b>					
– Bank borrowings	1,805,228,000	1,250,194,000	292,981,000	6,000,000	3,354,403,000
– Bond payable	–	755,160,000	–	–	755,160,000
– Other borrowings	6,197,927,000	–	96,000,000	–	6,293,927,000
– Related party borrowings	–	–	–	2,059,896,000	2,059,896,000

### Lease liabilities

As at 31 December 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group, Shuifa Clean Energy had RMB25,486,000 and RMB83,849,000 respectively, and the Enlarged Group totally had RMB109,335,000.

**Contingent liabilities**

As at 31 December 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had no contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, as of 31 December 2022, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar borrowings or indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including the internally generated funds, the existing borrowings, the currently available facilities, and the effects of the Acquisitions, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

**4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

The Group is a professional renewable energy solution provider and building contractor. The main businesses of the Group are design, fabrication and installation of curtain wall, green building and solar projects. Solar projects included Building Integrated Photovoltaic System (“BIPV”) system, roof top solar system and ground mounted solar system (collectively “Solar EPC”). The Group is also engaged in the manufacturing and sale of renewable energy goods. The BIPV system involves (i) the integration of photovoltaic technology into the architectural design of buildings and structures and (ii) conversion of solar energy into electricity for use. The system allows the electricity generated from solar panels to be connected to the power grid of a building and the electricity generated from sun power will be consumed simultaneously. No extra electricity storage cost is required. Apart from the above, the Group also provides engineering design services and engages in the sale of curtain wall materials.

The Group recorded revenue of approximately RMB3,306.5 million, RMB5,578.5 million and RMB6,503.4 million for the three years ended 31 December 2019, 2020 and 2021, respectively. Leveraging on the track record and extensive experience in the curtain wall business, the Group will further strengthen and develop its renewable energy business in respect of BIPV systems and renewable energy products. In the long run, the Group will aspire and strive to grow into an enterprise with a focus on the renewable energy business.

It is expected that the Enlarged Group will be able to record additional income from Shuifa Energy (Tongyu) and Shuifa Clean Energy upon the Completions.





永拓富信會計師事務所有限公司  
YONGTUO FUSON CPA LIMITED

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHUIFA ENERGY (TONGYU COUNTY) CO. LIMITED TO THE DIRECTORS OF CHINA SHUIFA SINGYES ENERGY HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of 水發能源(通榆縣)有限公司 (Shuifa Energy (Tongyu County) Co. Limited, “**Shuifa Energy (Tongyu)**”) set out on pages 92 to 132, which comprises the statements of financial position of Shuifa Energy (Tongyu) as at 31 December 2021 and 30 September 2022, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Shuifa Energy (Tongyu) for the period from 28 January 2021 (date of establishment) to 31 December 2021 and the nine months ended 30 September 2022 (the “**Shuifa Energy (Tongyu) Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Shuifa Energy (Tongyu) Historical Financial Information**”). The Shuifa Energy (Tongyu) Historical Financial Information set out on pages 92 to 132 forms an integral part of this report, which has been prepared for inclusion in the circular of China Shuifa Singyes Energy Holdings Limited (the “**Company**”) dated 28 February 2023 (the “**Circular**”) in connection with the proposed major and connected transaction(s) in relating to the acquisitions of the Target Companies (the “**Acquisitions**”).

**The directors' responsibility for the Shuifa Energy (Tongyu) Historical Financial Information**

The directors of the Company are responsible for the preparation of the Shuifa Energy (Tongyu) Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Energy (Tongyu) Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Shuifa Energy (Tongyu) Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Shuifa Energy (Tongyu) Underlying Financial Statements as defined on page 91, on which the Shuifa Energy (Tongyu) Historical Financial Information is based, were prepared by the directors of Shuifa Energy (Tongyu). The directors of Shuifa Energy (Tongyu) are responsible for the preparation of the Shuifa Energy (Tongyu) Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”), and for such internal control as the directors of Shuifa Energy (Tongyu) determine is necessary to enable the preparation of the Shuifa Energy (Tongyu) Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Shuifa Energy (Tongyu) Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

***Reporting accountants' responsibility***

Our responsibility is to express an opinion on the Shuifa Energy (Tongyu) Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on the Shuifa Energy (Tongyu) Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Shuifa Energy (Tongyu) Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Shuifa Energy (Tongyu) Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Shuifa Energy (Tongyu) Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Shuifa Energy (Tongyu) Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Energy (Tongyu) Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Shuifa Energy (Tongyu), as well as evaluating the overall presentation of the Shuifa Energy (Tongyu) Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion the Shuifa Energy (Tongyu) Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Shuifa Energy (Tongyu) as at 31 December 2021 and 30 September 2022 and its financial performance and its cash flows for the Shuifa Energy (Tongyu) Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Energy (Tongyu) Historical Financial Information.

**Review of stub-period comparative financial information**

We have reviewed the stub-period comparative financial information of Shuifa Energy (Tongyu), which comprises the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 28 January 2021 (date of establishment) to 30 September 2021 and other explanatory information (the "**Shuifa Energy (Tongyu) Stub-Period Comparative Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Shuifa Energy (Tongyu) Stub-Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Energy (Tongyu) Historical Financial Information. Our responsibility is to express a conclusion on the Shuifa Energy (Tongyu) Stub-Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Shuifa Energy (Tongyu) Stub-Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Energy (Tongyu) Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Shuifa Energy (Tongyu) Historical Financial Information no adjustments to the Shuifa Energy (Tongyu) Underlying Financial Statements as defined on page 91 have been made.

*Dividends*

We refer to Note 12 to the Shuifa Energy (Tongyu) Historical Financial Information which contains information about no dividends have been declared and paid by Shuifa Energy (Tongyu) in respect of the Shuifa Energy (Tongyu) Track Record Period.

**Yongtuo Fuson CPA Limited**  
*Certified Public Accountants*

**Lee Yan Fai**  
Practising Certificate Number: P06078  
Hong Kong

**Preparation of the Shuifa Energy (Tongyu) Historical Financial Information**

Set out below is the Shuifa Energy (Tongyu) Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Shuifa Energy (Tongyu) for the Shuifa Energy (Tongyu) Track Record Period, on which the Shuifa Energy (Tongyu) Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Shuifa Energy (Tongyu) Underlying Financial Statements**").

The Shuifa Energy (Tongyu) Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of Shuifa Energy (Tongyu), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB'000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB'000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB'000</i>
	<i>Notes</i>			
Revenue	6	—	—	119,672
Cost of sales		—	—	(87)
Gross profit		—	—	119,585
Other income, other gains and losses, net		(41)	—	8
Administrative expenses		(97)	—	(7,243)
Finance costs, net	7	—	—	(22,373)
Profit (loss) before income tax	8	(138)	—	89,977
Income tax charge	9	—	—	—
Profit (loss) and total comprehensive income (expense) for the period attributable to owners of Shuifa Energy (Tongyu)		(138)	—	89,977

## STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2021 RMB '000	As at 30 September 2022 RMB '000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	12	551,745	2,545,876
Right-of-use assets	13	—	493,333
		<u>551,745</u>	<u>3,039,209</u>
<b>Current assets</b>			
Trade and other receivable	14	1,621,316	506,562
Cash and cash equivalents	15	29,060	30,782
		<u>1,650,376</u>	<u>537,344</u>
<b>Current liabilities</b>			
Trade and other payables	16	259	61
Other borrowings	17	37,500	150,000
Lease liabilities	13	25,347	24,589
		<u>63,106</u>	<u>174,650</u>
<b>Net current assets</b>		<u>1,587,270</u>	<u>362,694</u>
<b>Total assets less current liabilities</b>		<u>2,139,015</u>	<u>3,401,903</u>
<b>Non-current liabilities</b>			
Other borrowing	17	1,162,500	2,250,000
Lease liabilities	13	474,653	450,064
		<u>1,637,153</u>	<u>2,700,064</u>
		<u>501,862</u>	<u>701,839</u>
<b>Capital and reserves</b>			
Share capital	18	502,000	612,000
Reserves	19	(138)	89,839
<b>Total equity</b>		<u>501,862</u>	<u>701,839</u>

## STATEMENTS OF CHANGES IN EQUITY

	Share Capital RMB'000	Accumulated losses (retained profits) RMB'000	Total RMB'000
<i>Period from 28 January 2021 (date of establishment) to 31 December 2021 and nine-months ended 30 September 2022</i>			
Loss and total comprehensive expense for the period	—	(138)	(138)
Issue of registered capital for the period	502,000	—	502,000
Balance as at 31 December 2021 and 1 January 2022	502,000	(138)	501,862
Profit and total comprehensive income for the period	—	89,977	89,977
Issue of registered capital for the period	110,000	—	110,000
Balance as at 30 September 2022	<u>612,000</u>	<u>89,839</u>	<u>701,839</u>
<i>Period from 28 January 2021 (date of establishment) to 30 September 2021 (unaudited)</i>			
Loss and total comprehensive expense for the period	—	—	—
Issue of registered capital for the period	171,000	—	171,000
Balance as at 30 September 2021 (unaudited)	<u>171,000</u>	<u>—</u>	<u>171,000</u>



## STATEMENTS OF CASH FLOWS

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB'000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB'000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB'000</i>
(Loss) profit before taxation	(138)	—	89,977
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	97	—	6,813
Finance costs	—	—	22,373
Impairment losses for other receivables	41	—	—
Operating cash flows before working capital changes	—	—	119,163
Changes in working capital:			
(Increase) decrease in trade and other receivables	(1,621,357)	(603,052)	14,672
Increase (decrease) in trade and other payables	259	499,789	(198)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<u>(1,621,098)</u>	<u>(103,263)</u>	<u>133,637</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(36,640)	(32,808)	(1,315,890)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(36,640)</u>	<u>(32,808)</u>	<u>(1,315,890)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from the issuance of registered capital	502,000	171,000	110,000
Interest paid	(15,202)	—	(100,678)
New other borrowing raised	1,200,000	—	1,174,653
<b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>	<u>1,686,798</u>	<u>171,000</u>	<u>1,183,975</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	29,060	34,929	1,722
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD</b>	<u>—</u>	<u>—</u>	<u>29,060</u>
<b>CASH AND CASH EQUIVALENT AT END OF THE PERIOD</b>	<u><u>29,060</u></u>	<u><u>34,929</u></u>	<u><u>30,782</u></u>

**NOTES TO THE SHUIFA ENERGY (TONGYU) HISTORICAL FINANCIAL INFORMATION****1. GENERAL INFORMATION**

Shuifa Energy (Tongyu) was incorporated in the People's Republic of China (the "PRC") with limited liability on 28 January 2021. Both the address of its registered office and principal place of business is Room 1307, 13th Floor, Shandong Water Conservancy Development Building, No. 33399 Jingshi East Road, Licheng District, Jinan City, Shandong Province.

The Shuifa Energy (Tongyu) was principally engaged in the operations of electricity generation transmission and supply.

In the opinion of the directors of Shuifa Clean Energy, its immediate holding company and intermediate holding company are 水發能源集團有限公司 ("Shuifa Energy Group Limited, Shuifa Energy"), which is a private limited company incorporated in the PRC and 水發集團有限公司 (Shuifa Group Limited ("Shuifa Group")), which is also a private limited company incorporated in the PRC, respectively. Its ultimate controlling shareholder is 山東省國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC).

The English names of all the companies established in the PRC presented in this Shuifa Energy (Tongyu) Historical Financial Information represent the best efforts made by the directors of Shuifa Energy (Tongyu) for the translation of the Chinese names of these companies to English names as they do not have official English names

The Shuifa Energy (Tongyu) Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of Shuifa Energy (Tongyu).

**2. BASIS OF PREPARATION AND PRESENTATION OF SHUIFA ENERGY (TONGYU) HISTORICAL FINANCIAL INFORMATION**

The Shuifa Energy (Tongyu) Historical Financial Information has been prepared for inclusion in the Circular of the Company in connection with the proposed major and connected transaction(s) in relating to the acquisitions of the Target Companies.

The Shuifa Energy (Tongyu) Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conforms with IFRSs issued by the IASB.

The Shuifa Energy (Tongyu) Stub-Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Shuifa Energy (Tongyu) Historical Financial Information.

**3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs**

For the purpose of preparing the Shuifa Energy (Tongyu) Historical Financial Information for the Shuifa Energy (Tongyu) Track Record Period, Shuifa Energy (Tongyu) has consistently adopted accounting policies which conform with the International Accounting Standards (“IASs”), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, the IFRSs effective for annual periods beginning on 1 January 2022 throughout the Shuifa Energy (Tongyu) Track Record Period.

**New and amendments to IFRSs in issue but not yet effective**

Shuifa Energy (Tongyu) has not early applied the following new and amendments to IFRSs and interpretations that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of Shuifa Energy (Tongyu) expects that the application of all new and amendments to IFRSs that have been issued but are not yet effective will have no material impact on the Shuifa Energy (Tongyu) Historical Financial Information in the foreseeable future.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Shuifa Energy (Tongyu) Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

##### **Basis of preparation**

The Shuifa Energy (Tongyu) Historical Financial Information has been prepared in accordance with all applicable IFRSs and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The Shuifa Energy (Tongyu) Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Shuifa Energy (Tongyu) Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Shuifa Energy (Tongyu)'s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Shuifa Energy (Tongyu) Historical Financial Information, are disclosed in Note 5.

##### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of Shuifa Energy (Tongyu) that makes strategic decisions.

##### **Foreign currency translation**

###### ***Functional and presentation currency***

The financial statements of Shuifa Energy (Tongyu) are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Shuifa Energy (Tongyu) Historical Financial Information is presented in RMB which is also the functional currency of Shuifa Energy (Tongyu).

###### ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within “finance costs, net”. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within “other income, other gains and losses, net”.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within “finance costs”. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within “other income, other gains and losses, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

### **Property, plant and equipment**

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Shuifa Energy (Tongyu) and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives, as follows:

Motor vehicles	3 to 10 years
Furniture, fittings and equipment	3 to 5 years
Electricity generation equipment	20 to 25 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other income, other gains and losses, net” in the statement of profit or loss and other comprehensive income.

Construction in progress (“**CIP**”) represents buildings, plant, machinery and software and power stations under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges and foreign exchange gain/loss arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to respectively categorised property, plant and equipment and depreciated in accordance with the policy as stated above.

#### **Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **Investments and other financial assets**

##### ***Classification***

Shuifa Energy (Tongyu) classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

Shuifa Energy (Tongyu) reclassifies debt investments when and only when its business model for managing those assets changes.

*Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which Shuifa Energy (Tongyu) commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Shuifa Energy (Tongyu) has transferred substantially all the risks and rewards of ownership.

*Measurement*

At initial recognition, Shuifa Energy (Tongyu) measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on Shuifa Energy (Tongyu)'s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which Shuifa Energy (Tongyu) classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of profit or loss and other comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- **Financial assets at fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (“**OCI**”), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.



- **Financial assets at FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### *Equity instruments*

Shuifa Energy (Tongyu) subsequently measures all equity investments at fair value. Where Shuifa Energy (Tongyu)'s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when Shuifa Energy (Tongyu)'s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### *Impairment*

Shuifa Energy (Tongyu) assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, Shuifa Energy (Tongyu) applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see the relevant accounting policy below.

### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the each reporting period where Shuifa Energy (Tongyu) currently has a legally enforceable right to offset the recognise amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### **Trade receivables, prepayments and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in normal operating cycle, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Shuifa Energy (Tongyu) holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See respective Notes in respect of further information of Shuifa Energy (Tongyu)'s trade receivables, prepayments and other receivables and a description of Shuifa Energy (Tongyu)'s impairment policies.

**Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Share capital**

Registered capital of Shuifa Energy (Tongyu) is classified as equity.

Incremental costs directly attributable to the issue of new registered shares are shown in equity as a deduction, net of tax, from the proceeds.

**Trade payables and accruals**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and accruals are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to issue financial liabilities, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the end of each reporting period when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses) or finance costs.

Borrowings are classified as current liabilities unless the Shuifa Energy (Tongyu) has an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

**Borrowings costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

**Current and deferred income tax**

The income tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where Shuifa Energy (Tongyu) and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Shuifa Energy (Tongyu) measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

***Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Shuifa Energy (Tongyu) Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments that Shuifa Energy (Tongyu) is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

***Offsetting***

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Employee benefits*****Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations at the end of each reporting period.

***Pension obligations***

Shuifa Energy (Tongyu) companies in Mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

Shuifa Energy (Tongyu) has no further significant obligation for postretirement benefits beyond the contributions made. The contributions to these plans and MPF Scheme are recognised as employee benefit expense when incurred.

***Other employee benefits***

In addition to pension obligation, all PRC employees of Shuifa Energy (Tongyu) participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by Shuifa Energy (Tongyu) are calculated based on percentages of the total salary of employees (or on other basis), subject to certain ceiling, and are paid to the relevant government authorities.

Shuifa Energy (Tongyu) has no further payment obligations once the contributions have been paid. Shuifa Energy (Tongyu)'s contributions to these plans are charged to the statement of profit or loss and other comprehensive income as incurred.

**Provisions**

Provisions for legal claims are recognised when Shuifa Energy (Tongyu) has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **Revenue recognition**

#### *Sale of electricity*

Shuifa Energy (Tongyu) sells electricity to customers. Revenue from sales of electricity and tariff subsidy is recognised at a point in time when electricity is generated, transmitted and delivered to the customers. Revenue from these sales is recognised based on the price including the respective on-grid electricity rates and subsidy received and receivable pursuant to prevailing government policy in respect of Shuifa Energy (Tongyu)'s renewable energy projects.

As receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### **Leases**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Shuifa Energy (Tongyu).

Contracts may contain both lease and non-lease components. Shuifa Energy (Tongyu) allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. However, for leases of real estate for which Shuifa Energy (Tongyu) is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by Shuifa Energy (Tongyu) under residual value guarantees;
- the exercise price of a purchase option if Shuifa Energy (Tongyu) is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects Shuifa Energy (Tongyu) exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in Shuifa Energy (Tongyu), the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, Shuifa Energy (Tongyu):

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Shuifa Energy (Tongyu), which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.



Shuifa Energy (Tongyu) is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If Shuifa Energy (Tongyu) is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less or less without a purchase option. Low-value assets comprise IT equipment and vehicle.

Lease income from operating leases where Shuifa Energy (Tongyu) is a lessor is recognised in income on a straight-line basis over the lease term.

## **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Shuifa Energy (Tongyu) makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Provision for impairment of trade and other receivables**

Shuifa Energy (Tongyu)'s management determines the provision for impairment of trade and other receivables based on the expected credit losses which uses a lifetime expected loss allowance. The loss allowances are based on assumptions about risk of default and expected loss rates. Shuifa Energy (Tongyu) uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Shuifa Energy (Tongyu)'s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**(ii) Useful lives of property, plant and equipment**

Shuifa Energy (Tongyu)'s management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

**(iii) Impairment of property, plant and equipment**

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect Shuifa Energy (Tongyu)'s financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the statement of profit or loss and other comprehensive income.

**(iv) Impairment of Shuifa Energy (Tongyu)'s assets**

Shuifa Energy (Tongyu) follows the guidance of IAS 36 to determine whether Shuifa Energy (Tongyu)'s assets are impaired. As stated in IAS 36, the equity attributable to owners of an entity that exceeds its market capitalisation is an impairment indicator which would require an estimate of the recoverable amount to be performed.

Shuifa Energy (Tongyu) needs to assess whether its assets are impaired. This assessment requires significant judgments and estimations. In making these judgments and estimations, Shuifa Energy (Tongyu) evaluates and considers both qualitative and quantitative factors that will affect the value-in-use of an asset or a cash-generating unit ("CGU") such as the extent of difference between the equity attributable to owners of Shuifa Energy (Tongyu) and market capitalisation, composition of Shuifa Energy (Tongyu)'s assets, results and timing of previous impairment tests.

**6. REVENUE AND SEGMENT INFORMATION****Revenue*****Disaggregation of revenue from contracts with customers by Shuifa Energy (Tongyu) during the Shuifa Energy (Tongyu) Track Record Period***

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB'000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB'000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB'000</i>
Revenue from contracts with customers			
– Sale of electricity	—	—	119,672
	<u>          </u>	<u>          </u>	<u>          </u>
Timing of revenue recognition			
– Recognised at a point of time	—	—	119,672
	<u>          </u>	<u>          </u>	<u>          </u>

**Segment information**

The board of directors of Shuifa Energy (Tongyu) has been identified as the chief operating decision-maker. For the purposes of resources allocation and performance assessment, the chief operating decision-maker reviews the overall results and financial position of Shuifa Energy (Tongyu) as a whole prepared based on same accounting policies set out in Note 4. Shuifa Energy (Tongyu)'s operations are principally engaged in the operations of electricity generation, transmission and supply in the PRC during the Shuifa Energy (Tongyu) Track Record Period. Accordingly, the directors of Shuifa Energy (Tongyu) consider there to be only one single operating segment under the requirements of IFRS8 "Segment Information". In this regard, no further analysis of this single segment is presented.

**Geographical information**

No geographical segment information is presented as Shuifa Energy (Tongyu)'s operation is mainly in the PRC and all its non-current assets are situated in the PRC. All of Shuifa Energy (Tongyu)'s revenue from external customers is attributable to the entity's place of domicile (i.e., the PRC).

**Unsatisfied performance obligations**

During the Shuifa Energy (Tongyu) Track Record Period, all performance obligations not yet satisfied by Shuifa Energy (Tongyu) were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under IFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied performance obligations was not disclosed.

**Information about major customers**

Revenue from customers during the Shuifa Energy (Tongyu) Track Record Period contributing for 10% or more of the total revenue of Shuifa Energy (Tongyu) are as follows:

	Period from 28 January 2021 (date of establishment) to 31 December 2021 RMB '000	Period from 28 January 2021 (date of establishment) to 30 September 2021 RMB '000 (unaudited)	Nine months ended 30 September 2022 RMB '000
Customer A	— <sup>1</sup>	— <sup>1</sup>	119,672

<sup>1</sup> No revenue was generated from this customer for the relevant periods.

## 7. FINANCE COSTS, NET

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB '000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB '000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB '000</i>
<b>Finance costs:</b>			
Interest on other borrowings	15,202	—	100,678
Interest on lease liabilities	—	—	3,036
	<hr/>	<hr/>	<hr/>
Interest on other borrowings and lease liabilities	15,202	—	103,714
Less: Amounts capitalised in the cost of qualifying assets	(15,202)	—	(81,341)
	<hr/>	<hr/>	<hr/>
	—	—	22,373
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The capitalisation rates used to determine the amount of borrowing costs during the period from 28 January 2021 (date of establishment) to 31 December 2021, the period from 28 January 2021 (date of establishment) to 30 September 2021 (unaudited) and the nine months ended 30 September 2022 are 4.7% to 5%, nil% to nil% and 4.7% to 5%, respectively.

**8. PROFIT (LOSS) BEFORE INCOME TAX**

Profit (loss) before income tax for the Shuifa Energy (Tongyu) Track Record Period has been arrived at after charging (crediting):

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB '000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB '000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB '000</i>
Depreciation of property, plant and equipment	97	—	146
Depreciation of right-of-use assets	—	—	6,667
	<u>97</u>	<u>—</u>	<u>6,813</u>
Staff costs (including directors' remuneration):			
Salaries and other benefits	—	—	1,335
Performance bonus	—	—	—
Retirement benefits scheme contribution	—	—	147
	<u>—</u>	<u>—</u>	<u>1,482</u>
Others:			
Auditor's remuneration	—	—	—
Impairment losses on other receivables	41	—	—
	<u>41</u>	<u>—</u>	<u>—</u>

**9. INCOME TAX CHARGE**

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB '000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB '000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB '000</i>
Income tax charge	<u>—</u>	<u>—</u>	<u>—</u>

The applicable corporate income tax ("CIT") of Shuifa Energy (Tongyu) is 25% that is entitled to the tax exemption as discussed below:

For engaging in the approved projects of wind power station construction, they are exempted from CIT for the first three years and are entitled to a 50% tax reduction for the subsequent three years (“三免三减半”) since their respective first revenue generating years. Thereafter, they are subject to CIT at a rate of 25% or 15%.

No provision for taxation has been made as Shuifa Energy (Tongyu) did not generated any assessable profits and entitled to the tax exemption for the Shuifa Energy (Tongyu) Track Record Period.

The difference between the actual income tax expense charged to the statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rates to loss before income tax can be reconciled as follows:

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB '000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB '000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB '000</i>
Profit (loss) before income tax	(138)	—	89,977
Tax at the applicable tax rate of 25%	(34)	—	22,494
Tax effect of tax losses not recognised	34	—	—
Effect of tax exemption	—	—	(22,494)
Income tax charge	—	—	—

No deferred tax assets or liabilities has been recognised in the Shuifa Energy (Tongyu) Historical Financial Information as Shuifa Energy (Tongyu) did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2021 and 30 September 2022.



## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

## (a) Directors' and chief executive's emoluments

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance bonus <i>RMB'000</i>	Retirement benefits scheme contribution <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Period from 28 January 2021 (date of establishment) to 31 December 2021</i>					
<b>Chairman</b>					
卜磊 (Bu Lei)	–	–	–	–	–
<b>Executive directors</b>					
辛亮 (Xin Liang)	–	–	–	–	–
趙峰 (Zhao Feng)	–	–	–	–	–
<b>Supervisors</b>					
時波 (Shi Bo)	–	–	–	–	–
	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Nine months ended 30 September 2022</i>					
<b>Chairman</b>					
卜磊 (Bu Lei)	–	114	–	13	127
<b>Executive directors</b>					
辛亮 (Xin Liang)	–	91	–	10	101
趙峰 (Zhao Feng)	–	–	–	–	–
<b>Supervisors</b>					
時波 (Shi Bo)	–	–	–	–	–
	–	205	–	23	228
	<u>–</u>	<u>205</u>	<u>–</u>	<u>23</u>	<u>228</u>
<i>Period from 28 January 2021 (date of establishment) to 30 September 2021 (unaudited)</i>					
<b>Chairman</b>					
卜磊 (Bu Lei)	–	–	–	–	–
<b>Executive directors</b>					
辛亮 (Xin Liang)	–	–	–	–	–
趙峰 (Zhao Feng)	–	–	–	–	–
<b>Supervisors</b>					
時波 (Shi Bo)	–	–	–	–	–
	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the Shuifa Energy (Tongyu) Track Record Period, no remuneration was paid by Shuifa Energy (Tongyu) to any directors or supervisors of Shuifa Energy (Tongyu) as an inducement to join or upon joining Shuifa Energy (Tongyu) or as compensation for loss of office. None of the directors or supervisors of Shuifa Energy (Tongyu) has waived any remuneration during the Shuifa Energy (Tongyu) Track Record Period.

**(b) Employees' emoluments**

The five highest paid employees of Shuifa Energy (Tongyu) included nil, nil and 2 directors during the period from 28 January 2021 (date of establishment) to 31 December 2021, the period from 28 January 2021 (date of establishment) to 30 September 2021 (unaudited) and the nine months ended 30 September 2022, respectively, details of whose remuneration are set out above.

Details of the remuneration for the remaining highest paid employees during the Shuifa Energy (Tongyu) Track Record Period, who were neither a director nor supervisor of Shuifa Energy (Tongyu) are as follows:

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB'000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB'000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB'000</i>
Salaries and other benefits	–	–	433
Performance bonus	–	–	–
Retirement benefits scheme contribution	–	–	48
	<u>–</u>	<u>–</u>	<u>481</u>

During the Shuifa Energy (Tongyu) Track Record Period, no emoluments were paid by Shuifa Energy (Tongyu) to the directors or supervisors or the five highest paid individuals of Shuifa Energy (Tongyu) as an inducement to join or upon joining Shuifa Energy (Tongyu) or as compensation for loss of office.

The remunerations of each of the highest paid employees who are neither directors nor chief executive officer are all within RMB1,000,000.

**11. DIVIDEND**

No dividend has been declared or paid by Shuifa Energy (Tongyu) since its incorporation.

The rate of dividend and the number of shares ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of the Historical Financial Information.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles <i>RMB'000</i>	Furniture, fittings and equipment <i>RMB'000</i>	Electricity generation equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>					
Additions	455	211	–	551,176	551,842
At 31 December 2021	455	211	–	551,176	551,842
Transfer to right-of-use assets	–	–	–	(500,000)	(500,000)
Transfer from construction in progress	–	–	51,176	(51,176)	–
Additions	–	52,307	1,326,852	1,115,118	2,494,277
At 30 September 2022	455	52,518	1,378,028	1,115,118	2,546,119
<b>Accumulated depreciation and impairment</b>					
Provided for the period	66	31	–	–	97
At 31 December 2021	66	31	–	–	97
Provided for the period	80	31	35	–	146
At 30 September 2022	146	62	35	–	243
<b>Carrying amounts</b>					
At 31 December 2021	389	180	–	551,176	551,745
At 30 September 2022	309	52,456	1,377,993	1,115,118	2,545,876

The above items of property, plant and equipment, except for construction in progress, are depreciated at the rates per annum on a straight-line basis, details of the depreciation rate have been disclosed in Note 4.

During the period from 28 January 2021 (date of establishment) to 31 December 2021, Shuifa Energy (Tongyu) entered into supplier finance lease arrangements in relation to certain assets in the amount of RMB500,000,000 which was classified as construction in progress as at 31 December 2021 and the amount was transferred to right-of-use assets during the nine months ended 30 September 2022 and details of which are set out in Note 13.

## 13. LEASES

## (a) Amounts recognised in the statements of financial position

The statements of financial position show the following amounts relating to leases:

	As at 31 December 2021 <i>RMB '000</i>	As at 30 September 2022 <i>RMB '000</i>
<b>Right-of-use assets</b>		
Electricity generation equipment	–	493,333
<b>Lease liabilities</b>		
Current	25,347	24,589
Non-current	474,653	450,064
	<u>500,000</u>	<u>474,653</u>
<b>Present value of lease liabilities:</b>		
Within one year	25,347	24,589
Within a period of more than one year but not exceeding two years	474,653	450,064
	<u>500,000</u>	<u>474,653</u>

Movements in right-of-use assets during the nine months ended 30 September 2022 are analysed as follows:

	<b>Electricity generation equipment</b> <i>RMB '000</i>
<b>Nine months ended 30 September 2022</b>	
Net book value as at 1 January 2022	–
Transfer from construction in progress	500,000
Depreciation	<u>(6,667)</u>
Net book value as at 30 September 2022	<u>493,333</u>

**(b) Amounts recognised in the statement of profit or loss and other comprehensive income**

The statement of profit or loss show the following amounts relating to leases:

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB'000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB'000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB'000</i>
<b>Depreciation charge of right-of-use assets</b>			
Electricity generation equipment	–	–	6,667
Expense relating to short-term leases and low value leases	50	–	100

Shuifa Energy (Tongyu) leases various electricity generation equipment. Rental contracts are typically entered into for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

## 14. TRADE AND OTHER RECEIVABLES

	As at 31 December 2021 <i>RMB'000</i>	As at 30 September 2022 <i>RMB'000</i>
Trade receivables	–	37,011
Less: Impairment loss	–	–
	<u>–</u>	<u>37,011</u>
Others:		
– Prepayments	1,574,808	379,580
– Other tax recoverable	42,006	67,543
– Amounts due from related parties ( <i>Note 25</i> )	70	22,372
– Deposits	–	10
– Others	4,473	87
	<u>1,621,357</u>	<u>469,592</u>
Less: Impairment loss	(41)	(41)
	<u>1,621,316</u>	<u>469,551</u>
Trade and other receivables	<u><u>1,621,316</u></u>	<u><u>506,562</u></u>

An ageing analysis of Shuifa Energy (Tongyu)'s trade receivables at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	As at 31 December 2021 <i>RMB'000</i>	As at 30 September 2022 <i>RMB'000</i>
Within 1 year	<u>–</u>	<u>37,011</u>

The carrying amounts of trade receivables approximately to their fair values and all were dominated in RMB at the end of each reporting period during the Shuifa Energy (Tongyu) Track Record Period.

## 15. CASH AND CASH EQUIVALENTS

	As at 31 December 2021 <i>RMB '000</i>	As at 30 September 2022 <i>RMB '000</i>
Cash and cash equivalents	29,060	30,782

Shuifa Energy (Tongyu)'s cash and bank balances was denominated in RMB.

As at 31 December 2021 and 30 September 2022, the Shuifa Energy (Tongyu) Track Record Period, bank balances carry interest at market rates which range from 0.001% to 0.52% and 0.001% to 0.52%, respectively.

## 16. TRADE AND OTHER PAYABLES

	As at 31 December 2021 <i>RMB '000</i>	As at 30 September 2022 <i>RMB '000</i>
Trade payables	72	61
Accrued expenses	187	–
	259	61

An ageing analysis of Shuifa Energy (Tongyu)'s trade payables at the end of each reporting period during the Shuifa Energy (Tongyu) Track Record Period, based on the transaction date were as follows:

	As at 31 December 2021 <i>RMB '000</i>	As at 30 September 2022 <i>RMB '000</i>
Within 1 year	72	61

The trade and bills payables are non-interest-bearing and are normally settled within one to six months.

The carrying amounts of trade payables approximated to their fair values as at the end of each reporting period during the Shuifa Energy (Tongyu) Track Record Period.



## 17. OTHER BORROWINGS

	As at 31 December 2021 <i>RMB '000</i>	As at 30 September 2022 <i>RMB '000</i>
Secured other borrowings	<u>1,200,000</u>	<u>2,400,000</u>
The carrying amounts of other borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable on:		
Within one year or on demand	37,500	150,000
Within a period of more than one year but not exceeding two years	150,000	2,250,000
Within a period of more than two years but not exceeding five years	<u>1,012,500</u>	<u>–</u>
	1,200,000	2,400,000
Less: Amounts due within one year shown under current liabilities	<u>(37,500)</u>	<u>(150,000)</u>
Amounts shown under non-current liabilities	<u>1,162,500</u>	<u>2,250,000</u>
<b>Analysed as:</b>		
Current	37,500	150,000
Non-current	<u>1,162,500</u>	<u>2,250,000</u>
	<u>1,200,000</u>	<u>2,400,000</u>

As at 31 December 2021 and 30 September 2022, interest on other borrowing is charged on the outstanding amount at a range of 4.7% to 5% and 4.7% to 5% per annum, respectively.

**18. SHARE CAPITAL**

The movements of the Shuifa Energy (Tongyu)'s registered capital are as following:

	<b>Total</b> <i>RMB'000</i>
Increase of registered capital during the period	502,000
Balance as at 31 December 2021 and 1 January 2022	502,000
Increase of registered capital during the period	110,000
Balance as at 30 September 2022	<u>612,000</u>

**19. RESERVES**

The amounts of Shuifa Energy (Tongyu)'s reserves and the movements therein for each of the reporting periods are presented in the statements of changes in equity.

**20. CAPITAL RISK MANAGEMENT****Financial instruments by category**

	<b>As at</b> <b>31 December 2021</b> <i>RMB'000</i>	<b>As at</b> <b>30 September 2022</b> <i>RMB'000</i>
<b><i>Financial assets at amortised costs</i></b>		
Trade and other receivables	46,508	391,584
Cash and cash equivalents	29,060	30,782
Total financial assets	<u>75,568</u>	<u>422,366</u>
<b><i>Liabilities at amortised costs</i></b>		
Trade and other payables	259	61
Other borrowings	1,200,000	2,400,000
Lease liabilities	500,000	474,653
Total financial liabilities	<u>1,700,259</u>	<u>2,874,714</u>

## 21. FINANCIAL RISK MANAGEMENT

Shuifa Energy (Tongyu)'s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. Shuifa Energy (Tongyu)'s overall risk management program focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on Shuifa Energy (Tongyu)'s financial performance.

Shuifa Energy (Tongyu)'s financial instruments are summarised in Note 20 above. Details of the financial instruments are disclosed in respective Notes. The policies on how to mitigate these risks are set out below. The management of Shuifa Energy (Tongyu) manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Financial risk factors

#### (a) *Market risk*

##### (i) *Foreign exchange risk*

Shuifa Energy (Tongyu) mainly operates in the PRC with functional currency as RMB.

Shuifa Energy (Tongyu) and Shuifa Energy (Tongyu) has no significant exposure to currency risk as substantially all of Shuifa Energy (Tongyu)'s transactions are denominated in RMB.

##### (ii) *Cash flow and fair value interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the interest rate risk on the variable interest earned in relation to the bank balance and incurred on other borrowings and lease liabilities. Shuifa Energy (Tongyu) is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities and bank deposit. It is Shuifa Energy (Tongyu)'s policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to minimise the fair value and cash flow interest rate risk.

No sensitivity analysis on variable interest rate bearing bank balances and other borrowing and lease liabilities is presented as the impact is expected to be insignificant.

**(b) Credit risk**

Shuifa Energy (Tongyu) is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables. The carrying amounts of cash and cash equivalents, trade and other receivables represent Shuifa Energy (Tongyu)'s maximum exposure to credit risk in relation to financial assets.

Credit risk on trade debtors is managed by the management of the individual business units and monitored by Shuifa Energy (Tongyu)'s management on a group basis. Most customers are sizable and renowned. Management assesses the credit quality of smaller customers by considering their financial position, past experience therewith and other relevant factors. The utilisation of credit limits is regularly monitored.

**(i) Credit risk of cash and cash equivalents**

To manage this risk arising from bank balances, Shuifa Energy (Tongyu) primarily transacts with reputable banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

**(ii) Credit risk of trade and other receivables**

Shuifa Energy (Tongyu) has trade and other receivables for provision of services or sales of goods subject to the expected credit loss model on adoption of IFRS 9.

Shuifa Energy (Tongyu) applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

Management assessed the impairment of trade and other receivables based on expected credit losses methodology. The impairment of individually significant trade and other receivables were assessed on an individual basis based on management's estimates of the discounted future cash flows. Individual insignificant trade and other receivables balances were grouped based on their credit risk characteristics for overall evaluation. The collective impairment provision was determined by management based on historical loss experience, taking into considerations of forward-looking macroeconomic data, industry risk and other circumstances.

To measure the expected credit losses, trade and other receivables have been grouped based on their credit risk characteristics for overall evaluation.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before the end of each reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Shuifa Energy (Tongyu) has identified the CPI and GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2021 and 30 September 2022, Shuifa Energy (Tongyu) had trade receivables amounting to approximately Nil and RMB37,011,000, respectively. No provisions for impairment was recognised on the trade receivables.

The loss allowances for other receivables at the end of each reporting period reconcile to the loss allowances as follows:

	<b>Period from 28 January 2021 (date of establishment) to 31 December 2021 RMB '000</b>	<b>Nine months ended 30 September 2022 RMB '000</b>
Balance as at 1 January	–	41
Allowance recognised in profit or loss during the period	41	–
	<hr/>	<hr/>
Balance as at 31 December/30 September	41	41
	<hr/> <hr/>	<hr/> <hr/>

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and the availability of funding through an adequate amount of committed credit facilities. Shuifa Energy (Tongyu) aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of Shuifa Energy (Tongyu)'s liquidity reserve on the basis of expected cash flow.

The table below analyses Shuifa Energy (Tongyu)'s financial liabilities into relevant maturity groupings based on the remaining period from the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year</b> <i>RMB'000</i>	<b>1 to 2 years</b> <i>RMB'000</i>	<b>2 to 5 years</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 31 December 2021				
Trade and other payables	259	–	–	259
Other borrowings	39,300	157,200	1,061,100	1,257,600
Lease liabilities	26,918	504,081	–	530,999
	<u>66,477</u>	<u>661,281</u>	<u>1,061,100</u>	<u>1,788,858</u>
As at 30 September 2022				
Trade and other payables	61	–	–	61
Other borrowings	157,200	2,389,500	–	2,546,700
Lease liabilities	26,113	477,967	–	504,080
	<u>183,374</u>	<u>2,867,467</u>	<u>–</u>	<u>3,050,841</u>

#### Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of Shuifa Energy (Tongyu) considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Shuifa Energy (Tongyu) Historical Financial Information approximate to their fair values.

**22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in Shuifa Energy (Tongyu)'s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Shuifa Energy (Tongyu)'s statements of cash flows as cash flows from financing activities.

	<b>Other borrowings and lease liabilities</b>
	<i>RMB'000</i>
<i>Period from 28 January 2021 (date of establishment)</i>	
<i>to 31 December 2021 and nine-months ended 30 September 2022</i>	
Financing cash flows	1,200,000
New lease entered	500,000
Other changes:	
– Interest expenses	15,202
– Interest payment	(15,202)
	<hr/>
As at 31 December 2021	1,700,000
Financing cash flows	1,174,653
Other changes:	
– Interest expenses	100,678
– Interest payment	(100,678)
	<hr/>
As at 30 September 2022	<u><u>2,874,653</u></u>
<i>Period from 28 January 2021 (date of establishment)</i>	
<i>to 30 September 2021 (Unaudited)</i>	
Financing cash flows	–
Lease liabilities	–
Other changes:	
– Interest expenses	–
– Interest payment	–
	<hr/>
As at 30 September 2021 (unaudited)	<u><u>–</u></u>

**23. RETIREMENT BENEFIT SCHEME**

The employees of Shuifa Energy (Tongyu) are members of a state-managed retirement benefits scheme operated by the PRC Government. Shuifa Energy (Tongyu) is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of Shuifa Energy (Tongyu) with respect to the retirement benefits scheme is to make the specified contributions.



The total cost charged to the statements of profit or loss and other comprehensive income of approximately Nil, Nil and RMB147,000 for the period from 28 February 2021 (date of establishment) to 31 December 2021, the period from 28 February 2021 (date of establishment) to 30 September 2021 (unaudited) and the nine months ended 30 September 2022, respectively, represented contributions paid and/or payable to the scheme by Shuifa Energy (Tongyu) for the Shuifa Energy (Tongyu) Track Record Period.

## 24. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

Other than those disclosed elsewhere in the Shuifa Energy (Tongyu) Historical Financial Information, Shuifa Energy (Tongyu) did not have other significant transactions with related parties during the Shuifa Energy (Tongyu) Track Record Period.

### (b) Balances with related parties

Other than those disclosed elsewhere in the Shuifa Energy (Tongyu) Historical Financial Information, Shuifa Energy (Tongyu) has the following significant outstanding balances with related parties as at 31 December 2021 and 30 September 2022:

	As at 31 December 2021 <i>RMB'000</i>	As at 30 September 2022 <i>RMB'000</i>
Amounts due from related parties:		
魯控教育控股集團有限公司 (LuKong Education Holding Group Co. Ltd.)	53	–
濟南明湖人力資源管理有限公司 (Jinan Minghu Human Resources Management Co., Ltd)	17	–
水發豐遠能源有限公司 (Shandong Fengyuan Power Construction Engineering Co., Ltd.)	–	12,000
水發能源集團有限公司 (Shuifa Energy Group Co., Ltd.)	–	10,372
	<u>70</u>	<u>22,372</u>

The amounts are unsecured, interest free and repayable on demand.

## (c) Compensation of key management personnel

Compensation paid or payable to key management for employee services is shown below:

	Period from 28 January 2021 (date of establishment) to 31 December 2021 <i>RMB'000</i>	Period from 28 January 2021 (date of establishment) to 30 September 2021 <i>RMB'000</i> (unaudited)	Nine months ended 30 September 2022 <i>RMB'000</i>
Salaries and other benefits	—	—	638
Performance bonus	—	—	—
Retirement benefits scheme contribution	—	—	91
	<u>—</u>	<u>—</u>	<u>729</u>

## 25. PLEDGE OF ASSETS

As at 31 December 2021 and 30 September 2022, Shuifa Energy (Tongyu) had pledged the following assets to secure for the credit facilities granted to Shuifa Energy (Tongyu):

	As at 31 December 2021 <i>RMB'000</i>	As at 30 September 2022 <i>RMB'000</i>
Property, plant and equipment	—	2,441,970
Right-of-use assets	500,000	493,333
Trade receivables	—	37,011
	<u>500,000</u>	<u>2,972,314</u>

**26. EVENT AFTER THE REPORTING PERIOD**

There are no significant subsequent events subsequent to 30 September 2022.

**27. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Shuifa Energy (Tongyu) have been prepared in respect of any period subsequent to 30 September 2022.



永拓富信會計師事務所有限公司  
YONGTUO FUSON CPA LIMITED

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHUIFA CLEAN ENERGY CO., LIMITED TO THE DIRECTORS OF CHINA SHUIFA SINGYES ENERGY HOLDINGS LIMITED**

**Introduction**

We report on the historical financial information of 水發清潔能源有限公司 (Shuifa Clean Energy Co., Limited, “**Shuifa Clean Energy**”) and its subsidiaries (together, the “**Shuifa Clean Energy Group**”) set out on pages 137 to 209, which comprises the consolidated statements of financial position of the Shuifa Clean Energy Group as at 31 December 2019, 2020 and 2021 and 30 September 2022, the statements of financial position of Shuifa Clean Energy as at 31 December 2019, 2020 and 2021 and 30 September 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Shuifa Clean Energy Group for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the “**Shuifa Clean Energy Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Shuifa Clean Energy Historical Financial Information**”). The Shuifa Clean Energy Historical Financial Information set out on pages 137 to 209 forms an integral part of this report, which has been prepared for inclusion in the circular of China Shuifa Singyes Energy Holdings Limited (the “**Company**”) dated 28 February 2023 (the “**Circular**”) in connection with the proposed major and connected transaction(s) in relating to the acquisitions of the Target Companies (the “**Acquisitions**”).

**The directors' responsibility for the Shuifa Clean Energy Historical Financial Information**

The directors of the Company are responsible for the preparation of the Shuifa Clean Energy Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Clean Energy Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Shuifa Clean Energy Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Shuifa Clean Energy Underlying Financial Statements as defined on page 136, on which the Shuifa Clean Energy Historical Financial Information is based, were prepared by the directors of Shuifa Clean Energy. The directors of Shuifa Clean Energy are responsible for the preparation of the Shuifa Clean Energy Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”), and for such internal control as the directors of Shuifa Clean Energy determine is necessary to enable the preparation of the Shuifa Clean Energy Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Shuifa Clean Energy Historical Financial Information is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

***Reporting accountants' responsibility***

Our responsibility is to express an opinion on the Shuifa Clean Energy Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on the Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Shuifa Clean Energy Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Shuifa Clean Energy Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Shuifa Clean Energy Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Shuifa Clean Energy Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Clean Energy Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Shuifa Clean Energy, as well as evaluating the overall presentation of the Shuifa Clean Energy Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion the Shuifa Clean Energy Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of Shuifa Clean Energy as at 31 December 2019, 2020 and 2021 and 30 September 2022 and the consolidated financial position of the Shuifa Clean Energy Group as at 31 December 2019, 2020 and 2021 and 30 September 2022 and its consolidated financial performance and its consolidated cash flows for the Shuifa Clean Energy Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Clean Energy Historical Financial Information.

**Review of stub-period comparative financial information**

We have reviewed the stub-period comparative financial information of the Shuifa Clean Energy Group, which comprises the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (the “**Shuifa Clean Energy Stub-Period Comparative Financial Information**”).

The directors of the Company are responsible for the preparation and presentation of the Shuifa Clean Energy Stub-Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Clean Energy Historical Financial Information. Our responsibility is to express a conclusion on the Shuifa Clean Energy Stub-Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Shuifa Clean Energy Stub-Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Shuifa Clean Energy Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Shuifa Clean Energy Historical Financial Information no adjustments to the Shuifa Clean Energy Underlying Financial Statements as defined on page 136 have been made.

*Dividends*

We refer to Note 12 to the Shuifa Clean Energy Historical Financial Information which contains information about dividends declared and paid by the group entities comprising the Shuifa Clean Energy Group in respect of the Shuifa Clean Energy Track Record Period.

**Yongtuo Fuson CPA Limited**  
*Certified Public Accountants*

Lee Yan Fai  
Practising Certificate Number: P06078  
Hong Kong

**Preparation of the Shuifa Clean Energy Historical Financial Information**

Set out below is the Shuifa Clean Energy Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Shuifa Clean Energy Group for the Shuifa Clean Energy Track Record Period, on which the Shuifa Clean Energy Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Shuifa Clean Energy Underlying Financial Statements**”).

The Shuifa Clean Energy Historical Financial Information is presented in Renminbi (“**RMB**”), which is also the functional currency of the Shuifa Clean Energy Group, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.



CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME

	Notes	Year ended 31 December			Nine months ended 30 September	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Revenue	6	47,363	247,353	895,429	824,634	756,790
Cost of sales		(18,972)	(213,728)	(873,380)	(799,324)	(635,377)
Gross profit		28,391	33,625	22,049	25,310	121,413
Other income, other gains and losses, net	7	4,447	130	63,295	161	125
Administrative expenses		(4,425)	(7,139)	(7,301)	(4,240)	(5,946)
Finance costs, net	8	(42,095)	(36,753)	(20,337)	(19,436)	(37,055)
Profit (loss) before income tax	9	(13,682)	(10,137)	57,706	1,795	78,537
Income tax charge	10	(405)	(16,386)	(4,487)	(860)	(4,529)
Profit (loss) and total comprehensive income (expense) for the year/period attributable to owners of Shuifa Clean Energy		<u>(14,087)</u>	<u>(26,523)</u>	<u>53,219</u>	<u>935</u>	<u>74,008</u>
Profit (loss) and total comprehensive income (expense) for the year/period attributable to:						
— Owners of Shuifa Clean Energy		(17,051)	(29,187)	52,486	(1,294)	66,072
— Non-controlling interests		2,964	2,664	733	2,229	7,936
		<u>(14,087)</u>	<u>(26,523)</u>	<u>53,219</u>	<u>935</u>	<u>74,008</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	2019 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	As at 30 September 2022 <i>RMB'000</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	<i>13</i>	30,885	36,618	1,163,384	1,123,105
Right-of-use assets	<i>14</i>	234,650	225,624	316,188	312,186
		<u>265,535</u>	<u>262,242</u>	<u>1,479,572</u>	<u>1,435,291</u>
<b>Current assets</b>					
Trade and other receivables	<i>15</i>	144,878	165,954	624,211	346,097
Cash and cash equivalents	<i>16</i>	3,068	8,887	83,172	126,822
		<u>147,946</u>	<u>174,841</u>	<u>707,383</u>	<u>472,919</u>
<b>Current liabilities</b>					
Trade and other payables	<i>17</i>	141,338	74,012	883,199	502,997
Contract liabilities		—	—	45,661	8,460
Bank and other borrowings	<i>18</i>	—	—	90,000	25,000
Lease liabilities	<i>14</i>	19,400	21,575	2,500	19,869
Income tax payable		172	15,846	4,555	—
		<u>160,910</u>	<u>111,433</u>	<u>1,025,915</u>	<u>556,326</u>
<b>Net current assets (liabilities)</b>		<u>(12,964)</u>	<u>63,408</u>	<u>(318,532)</u>	<u>(83,407)</u>
<b>Total assets less current liabilities</b>		<u>252,571</u>	<u>325,650</u>	<u>1,161,040</u>	<u>1,351,884</u>
<b>Non-current liabilities</b>					
Bank and other borrowings	<i>18</i>	—	—	875,000	904,000
Corporate bonds	<i>19</i>	—	—	—	81,500
Lease liabilities	<i>14</i>	242,350	225,706	79,686	65,317
		<u>242,350</u>	<u>225,706</u>	<u>954,686</u>	<u>1,050,817</u>
<b>Net assets</b>		<u>10,221</u>	<u>99,944</u>	<u>206,354</u>	<u>301,067</u>

		As at		As at	
	<i>Notes</i>	2019	31 December	2021	30 September
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Capital and reserves</b>					
Share capital	20	500	20,000	20,295	20,295
Reserves	21	(12,398)	55,278	131,791	197,863
Equity attributable to owners of					
Shuifa Clean Energy		(11,898)	75,278	152,086	218,158
Non-controlling interests		22,119	24,666	54,268	82,909
<b>Total equity</b>		<b>10,221</b>	<b>99,944</b>	<b>206,354</b>	<b>301,067</b>

## STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	2019 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	As at 30 September 2022 <i>RMB'000</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments in subsidiaries	30	43,591	65,398	404,792	404,792
Property, plant and equipment	13	130	271	518	404
		<u>43,721</u>	<u>65,669</u>	<u>405,310</u>	<u>405,196</u>
<b>Current assets</b>					
Trade and other receivables	15	34,574	64,418	240,036	143,756
Cash and cash equivalents	16	77	4,212	7,530	1,207
		<u>34,651</u>	<u>68,630</u>	<u>247,566</u>	<u>144,963</u>
<b>Current liabilities</b>					
Trade and other payables	17	108,630	52,011	522,888	340,811
Contract liabilities		—	—	45,211	7,960
Income tax payable		3	15,565	4,555	—
		<u>108,633</u>	<u>67,576</u>	<u>572,654</u>	<u>348,771</u>
<b>Net current assets (liabilities)</b>		<u>(73,982)</u>	<u>1,054</u>	<u>(325,088)</u>	<u>(203,808)</u>
<b>Total assets less current liabilities</b>		<u>(30,261)</u>	<u>66,723</u>	<u>80,222</u>	<u>201,388</u>
<b>Non-current liabilities</b>					
Corporate bonds	19	—	—	—	81,500
<b>Net assets (liabilities)</b>		<u>(30,261)</u>	<u>66,723</u>	<u>80,222</u>	<u>119,888</u>
<b>Capital and reserves</b>					
Share capital	20	500	20,000	20,295	20,295
Reserves	21	(30,761)	46,723	59,927	99,593
Equity attributable to owners of Shuifa Clean Energy		<u>(30,261)</u>	<u>66,723</u>	<u>80,222</u>	<u>119,888</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Shuifa Clean Energy					Non-controlling interests RMB'000	Total RMB'000
	Registered Capital RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000		
<i>Years ended 31 December 2019, 2020 and 2021 and nine-months ended 30 September 2022</i>							
Balance as at 1 January 2019	—	—	—	6,653	6,653	6,290	12,943
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	(17,051)	(17,051)	2,964	(14,087)
Issue of registered capital	500	—	—	—	500	—	500
Capital contributed from a non-controlling shareholder of a subsidiary	—	—	—	—	—	5,935	5,935
Acquisition of 32% equity interest in Dongying Tianze (as defined and described in <i>Note 28(i)</i> )	—	—	—	—	—	7,830	7,830
Dividend paid to non-controlling interests of a subsidiary	—	—	—	—	—	(900)	(900)
Dividend recognised as distribution ( <i>Note 12</i> )	—	—	—	(2,000)	(2,000)	—	(2,000)
Balance as at 31 December 2019 and 1 January 2020	500	—	—	(12,398)	(11,898)	22,119	10,221
Profit and total comprehensive income for the year	—	—	—	(29,187)	(29,187)	2,664	(26,523)
Issue of registered capital	19,500	—	—	—	19,500	—	19,500
Difference arising from the Zibo Qilu Disposal (as defined and described in <i>Note 29(i)</i> )	—	96,863	—	—	96,863	—	96,863
Capital contributed from a non-controlling shareholder of a subsidiary	—	—	—	—	—	5,843	5,843
Dividend paid to non-controlling interests of a subsidiary ( <i>Note 12</i> )	—	—	—	—	—	(5,960)	(5,960)
Transfer to statutory reserves	—	—	4,672	(4,672)	—	—	—
Balance as at 31 December 2020 and 1 January 2021	20,000	96,863	4,672	(46,257)	75,278	24,666	99,944

**APPENDIX III**
**ACCOUNTANTS' REPORT ON  
SHUIFA CLEAN ENERGY**

	Attributable to owners of Shuifa Clean Energy					Non-controlling interests RMB'000	Total RMB'000
	Registered Capital RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Profit and total comprehensive income for the period	—	—	—	52,486	52,486	733	53,219
Difference arising from the Common Control Disposals (as defined and described in <i>Note 29(ii)</i> )	—	22,321	—	—	22,321	(24,666)	(2,345)
Issue of registered capital	295	1,706	—	—	2,001	—	2,001
Acquisition of 90% equity interest in Changzhou Zhuohui (as defined and described in <i>Note 28(ii)</i> )	—	—	—	—	—	51,935	51,935
Capital contributed from a non-controlling shareholder of a subsidiary	—	—	—	—	—	1,600	1,600
Transfer to statutory reserves	—	—	1,154	(1,154)	—	—	—
Balance as at 31 December 2021 and 1 January 2022	20,295	120,890	5,826	5,075	152,086	54,268	206,354
Profit and total comprehensive income for the period	—	—	—	66,072	66,072	7,936	74,008
Dividend paid to non-controlling interests of a subsidiary ( <i>Note 12</i> )	—	—	—	—	—	(5,000)	(5,000)
Capital contributed from a non-controlling shareholder of a subsidiary	—	—	—	—	—	25,705	25,705
Balance as at 30 September 2022	<u>20,295</u>	<u>120,890</u>	<u>5,826</u>	<u>71,147</u>	<u>218,158</u>	<u>82,909</u>	<u>301,067</u>
Nine months ended 30 September 2021 (unaudited)							
Balance as at 1 January 2021 (audited)	20,000	—	4,672	50,606	75,278	24,666	99,944
Profit (loss) and total comprehensive income (expense) for the period	—	—	—	(1,294)	(1,294)	2,229	935
Dividend paid to non-controlling interests of a subsidiary	—	—	—	—	—	(360)	(360)
Balance as at 30 September 2021 (unaudited)	<u>20,000</u>	<u>—</u>	<u>4,672</u>	<u>49,312</u>	<u>73,984</u>	<u>26,535</u>	<u>100,519</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2019 RMB '000	2020 RMB '000	2021 RMB '000	2021 RMB '000 (unaudited)	2022 RMB '000
Profit/(loss) before taxation	(13,682)	(10,137)	57,706	1,795	78,537
Adjustments for:					
Depreciation of property, plant and equipment	1,909	2,348	143,197	107,398	43,244
Depreciation of right-of-use assets	11,812	9,026	5,430	26	4,002
Finance costs	42,075	36,152	20,324	19,338	36,526
Gain on bargain purchase on acquisition of 32% equity interest in Dongying Tianze and 90% equity interest in Changzhou Zhuohui	(4,454)	—	(65,228)	—	—
Gain on disposal of property, plant and equipment	—	(39)	—	—	—
Allowance for credit losses of trade and other receivables	—	—	2,356	1,973	303
Interest income	(8)	(46)	(117)	(30)	(269)
Operating cash flows before working capital changes	37,652	37,304	163,668	130,500	162,343
Changes in working capital:					
(Increase) decrease in trade and other receivables	50,770	(21,076)	(292,747)	(39,989)	(57,256)
Increase (decrease) in trade and other payables and contract liabilities	(40,305)	(67,326)	704,267	(34,826)	(62,496)
Cash generated from (used in) operations	48,117	(51,098)	575,188	55,685	42,591
Income taxes paid	(336)	(712)	(15,778)	(11,156)	(8,219)
<b>NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>47,781</b>	<b>(51,810)</b>	<b>559,410</b>	<b>44,529</b>	<b>34,372</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	(25,557)	(8,219)	(129,915)	(3,817)	(2,965)
Net cash outflow on acquisition of 32% equity interest in Dongying Tianze and 90% equity interest in Changzhou Zhuohui	(7,668)	—	(273,589)	—	—
Net cash inflow on Common Control Disposals	—	—	101,542	—	—
Investment in Zibo Qilu (as described in <i>Note 29(i)</i> )	—	(93,137)	—	—	—
Cash inflow on Zibo Qilu Disposal (as described in <i>Note 29(i)</i> )	—	190,000	—	—	—
Proceeds from disposal of property, plant and equipment	165	177	17	—	—
Interest received	8	46	117	30	269
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(33,052)</b>	<b>88,867</b>	<b>(301,828)</b>	<b>(3,787)</b>	<b>(2,696)</b>

	Year ended 31 December			Nine months ended 30 September	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of lease liabilities	(11,716)	(36,152)	(241,446)	(16,397)	(10,124)
Capital contributed from a non-controlling shareholder of a subsidiary	5,935	5,843	1,600	—	—
Net proceeds from the issuance of new shares	500	19,500	2,001	295	—
New bank and other borrowings raised	—	—	82,215	—	—
Repayment of bank and other borrowings	—	—	—	—	(36,000)
New corporate bonds raised	—	—	—	—	81,500
Interest paid	(4,545)	(14,469)	(27,667)	(19,436)	(23,402)
Dividend paid to non-controlling interests of a subsidiary	(900)	(5,960)	—	—	—
Dividend paid	(2,000)	—	—	—	—
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>	<u>(12,726)</u>	<u>(31,238)</u>	<u>(183,297)</u>	<u>(35,538)</u>	<u>11,974</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,003	5,819	74,285	5,204	43,650
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR/PERIOD</b>	<u>1,065</u>	<u>3,068</u>	<u>8,887</u>	<u>8,887</u>	<u>83,172</u>
<b>CASH AND CASH EQUIVALENT AT END OF THE YEAR/PERIOD</b>	<u><u>3,068</u></u>	<u><u>8,887</u></u>	<u><u>83,172</u></u>	<u><u>14,091</u></u>	<u><u>126,822</u></u>



## NOTES TO THE SHUIFA CLEAN ENERGY HISTORICAL FINANCIAL INFORMATION

**1. GENERAL INFORMATION**

Shuifa Clean Energy (formerly known as 山東坤馳新能源有限公司 (Shandong Kunchi New Energy Co., Ltd.) and 山東水發清潔能源科技有限公司 (Shandong Shuifa Clean Energy Technology Co., Ltd.)) was incorporated in the People's Republic of China (the "PRC") with limited liability on 31 July 2017. Both the address of its registered office and principal place of business is Room 1307, 13th Floor, Shandong Water Conservancy Development Building, No. 33399 Jingshi East Road, Licheng District, Jinan City, Shandong Province.

The Shuifa Clean Energy Group was principally engaged in the business of sale of electricity in PRC.

In the opinion of the directors of Shuifa Clean Energy, its immediate holding company and intermediate holding company are 水發能源集團有限公司 ("Shuifa Energy Group Limited, Shuifa Energy"), which is a private limited company incorporated in the PRC and 水發集團有限公司 (Shuifa Group Limited ("Shuifa Group")), which is also a private limited company incorporated in the PRC, respectively. Its ultimate controlling shareholder is 山東省國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council of the Shandong Province of the PRC).

The English names of all the companies established in the PRC presented in this Shuifa Clean Energy Historical Financial Information represent the best efforts made by the directors of Shuifa Clean Energy for the translation of the Chinese names of these companies to English names as they do not have official English names.

The Shuifa Clean Energy Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Shuifa Clean Energy Group.

**2. BASIS OF PREPARATION AND PRESENTATION OF SHUIFA CLEAN ENERGY HISTORICAL FINANCIAL INFORMATION**

The Shuifa Clean Energy Historical Financial Information has been prepared for inclusion in the Circular of the Company in connection with the proposed major and connected transaction(s) in relating to the acquisitions of the Target Companies.

The Shuifa Clean Energy Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conforms with IFRSs issued by the IASB.

The Shuifa Clean Energy Stub-Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Shuifa Clean Energy Historical Financial Information.

**Going Concern Assessment**

As at 30 September 2022, the Shuifa Clean Energy Group had net current liabilities of approximately RMB83,407,000. The Shuifa Clean Energy Historical Financial Information has been prepared on a going concern basis notwithstanding the above mentioned conditions, because the directors of Shuifa Clean Energy are of the opinion that based on a cash flow forecast of the Shuifa Clean Energy Group for the twelve months after 30 September 2022 prepared by the management of Shuifa Clean Energy, the Shuifa Clean Energy Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the directors of Shuifa Clean Energy consider it is appropriate to prepare the Shuifa Clean Energy Historical Financial Information on a going concern basis.

**3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs**

For the purpose of preparing the Shuifa Clean Energy Historical Financial Information for the Shuifa Clean Energy Track Record Period, the Shuifa Clean Energy Group has consistently adopted accounting policies which conform with the International Accounting Standards (“IASs”), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB that are effective for annual periods beginning on 1 January 2022 throughout the Shuifa Clean Energy Track Record Period.

**New and amendments to IFRSs in issue but not yet effective**

The Shuifa Clean Energy Group has not early applied the following new and amendments to IFRSs and interpretations that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Shuifa Clean Energy Group expects that the application of these new and amendments to IFRSs that have been issued but are not yet effective will have no material impact on the Shuifa Clean Energy Historical Financial Information in the foreseeable future.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Shuifa Clean Energy Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

##### **Basis of preparation**

The Shuifa Clean Energy Historical Financial Information has been prepared in accordance with all applicable IFRSs and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The Shuifa Clean Energy Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Shuifa Clean Energy Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Shuifa Clean Energy Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Shuifa Clean Energy Historical Financial Information, are disclosed in Note 5.

##### **Subsidiaries**

Subsidiaries are all entities (including a structured entities) over which the Shuifa Clean Energy Group has control. The Shuifa Clean Energy Group controls an entity where the Shuifa Clean Energy Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Shuifa Clean Energy Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations not under common control by the Shuifa Clean Energy Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Shuifa Clean Energy Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, respectively.

*Associates*

Associates are all entities over which the Shuifa Clean Energy Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the comprehensive income of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the profit or loss where appropriate.

The Shuifa Clean Energy Group's share of post-acquisition comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Shuifa Clean Energy Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Shuifa Clean Energy Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Shuifa Clean Energy Group determines at the end of each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Shuifa Clean Energy Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of net profit of associates accounted for using the equity method" in the consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Shuifa Clean Energy Group and its associates are recognised in the Shuifa Clean Energy Historical Financial Information only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Shuifa Clean Energy Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of profit or loss and other comprehensive income.

**Consolidation*****Business combination***

The Shuifa Clean Energy Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Shuifa Clean Energy Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Shuifa Clean Energy Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisitions failed to meet the definition of business combination are treated as acquisitions of assets and liabilities instead of business combination.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly consolidated statement of profit or loss and other comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

***Common control combinations***

For common control combinations, the Shuifa Clean Energy Historical Financial Information incorporates the financial entities of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

***Disposal of subsidiaries***

When the Shuifa Clean Energy Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Shuifa Clean Energy Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**Separate financial statements**

In the Shuifa Clean Energy's statement of financial position, investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by Shuifa Clean Energy on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries, joint ventures and associates is required upon receiving dividends from these investees if the dividend exceeds the total comprehensive income of these entities in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Shuifa Clean Energy Historical Financial Information of the investee's net assets including goodwill.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of Shuifa Clean Energy that makes strategic decisions.

**Foreign currency translation*****Functional and presentation currency***

Items included in the financial statements of each of the Shuifa Clean Energy Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Shuifa Clean Energy Historical Financial Information is presented in RMB which is also the functional currency of Shuifa Clean Energy.

***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within “finance costs, net”. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within “other income, other gains and losses, net”.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within “finance costs”. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within “other income, other gains and losses, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

#### *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the end of each reporting period presented are translated at the closing rate at the end of the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Property, plant and equipment**

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Shuifa Clean Energy Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives, as follows:

Buildings	20 - 25 years
Plant and machinery	5 - 25 years
Motor vehicles	3 - 10 years
Furniture, fittings and equipment	3 to 5 years
Electricity facility and equipment	20 to 25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income, other gains and losses, net" in the consolidated statement of profit or loss and other comprehensive income.

Construction in progress ("**CIP**") represents buildings, plant, machinery and software and power stations under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges and foreign exchange gain/loss arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are brought into use, the costs are transferred to respectively categorised property, plant and equipment and depreciated in accordance with the policy as stated above.



**Impairment of non-financial assets**

Goodwill is not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**Investments and other financial assets*****Classification***

The Shuifa Clean Energy Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Shuifa Clean Energy Group reclassifies debt investments when and only when its business model for managing those assets changes.

***Recognition and derecognition***

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Shuifa Clean Energy Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Shuifa Clean Energy Group has transferred substantially all the risks and rewards of ownership.

*Measurement*

At initial recognition, the Shuifa Clean Energy Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Shuifa Clean Energy Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Shuifa Clean Energy Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the consolidated statement of profit or loss and other comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **Financial assets at fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.
- **Financial assets at FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

***Equity instruments***

The Shuifa Clean Energy Group subsequently measures all equity investments at fair value. Where the Shuifa Clean Energy Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Shuifa Clean Energy Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

***Impairment***

The Shuifa Clean Energy Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Shuifa Clean Energy Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see the relevant accounting policy below.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Shuifa Clean Energy Group currently has a legally enforceable right to offset the recognise amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in normal operating cycle, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Shuifa Clean Energy Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See respective notes in respect of further information of the Shuifa Clean Energy Group's trade and bills receivables, prepayments and other receivables and a description of the Shuifa Clean Energy Group's impairment policies.

**Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Share capital**

Registered capital of Shuifa Clean Energy is classified as equity.

Incremental costs directly attributable to the issue of new registered shares are shown in equity as a deduction, net of tax, from the proceeds.

**Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables and accruals are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to issue financial liabilities, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the end of each reporting period when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses) or finance costs.

Borrowings are classified as current liabilities unless the Shuifa Clean Energy Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

**Borrowings costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

**Current and deferred income tax**

The income tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where Shuifa Clean Energy and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Shuifa Clean Energy Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

***Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Shuifa Clean Energy Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments that Shuifa Clean Energy is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

### ***Offsetting***

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Employee benefits**

#### ***Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations at the end of each reporting period.

#### ***Pension obligations***

The Shuifa Clean Energy Group companies in Mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Shuifa Clean Energy Group has no further significant obligation for postretirement benefits beyond the contributions made. The contributions to these plans and MPF Scheme are recognised as employee benefit expense when incurred.

#### ***Other employee benefits***

In addition to pension obligation, all PRC employees of the Shuifa Clean Energy Group participate in various employee social security plans, including medical, housing and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Shuifa Clean Energy Group are calculated based on percentages of the total salary of employees (or on other basis), subject to certain ceiling, and are paid to the relevant government authorities.

The Shuifa Clean Energy Group has no further payment obligations once the contributions have been paid. The Shuifa Clean Energy Group's contributions to these plans are charged to the consolidated statement of profit or loss and other comprehensive income as incurred.

**Provisions**

Provisions for legal claims are recognised when the Shuifa Clean Energy Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**Revenue recognition*****Sale of electricity***

The Shuifa Clean Energy Group sells electricity to customers. Revenue from sales of electricity and tariff subsidy is recognised at a point in time when electricity is generated, transmitted and delivered to the customers. Revenue from these sales is recognised based on the price including the respective on-grid electricity rates and subsidy received and receivable pursuant to prevailing government policy in respect of the Shuifa Clean Energy Group's renewable energy projects.

***Sale of products***

The Shuifa Clean Energy Group manufactures and sells a range of construction material in the market. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Shuifa Clean Energy Group has objective evidence that all criteria for acceptance have been satisfied.

As receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

**Leases**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Shuifa Clean Energy Group.

Contracts may contain both lease and non-lease components. The Shuifa Clean Energy Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. However, for leases of real estate for which the Shuifa Clean Energy Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Shuifa Clean Energy Group under residual value guarantees;
- the exercise price of a purchase option if the Shuifa Clean Energy Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Shuifa Clean Energy Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Shuifa Clean Energy Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.



To determine the incremental borrowing rate, the Shuifa Clean Energy Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Shuifa Clean Energy Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Shuifa Clean Energy Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Shuifa Clean Energy Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less or less without a purchase option. Low-value assets comprise IT equipment and vehicle.

Lease income from operating leases where the Shuifa Clean Energy Group is a lessor is recognised in income on a straight-line basis over the lease term.

**Dividend distribution**

Dividend distribution to shareholders of Shuifa Clean Energy is recognised as a liability in the Shuifa Clean Energy Group's consolidated statement of financial position and Shuifa Clean Energy's statement of financial position in the period in which the dividends are approved by shareholders of Shuifa Clean Energy.

**Interest income**

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of "finance income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

For the purpose of consolidated statement of cash flows, the interest income received arising from deposits and loans activities are presented as relating to operating activities, while the interest income received arising from other bank deposits is presented as relating to investing activities.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Shuifa Clean Energy Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(i) Provision for impairment of trade and other receivables**

The Shuifa Clean Energy Group's management determines the provision for impairment of trade and other receivables based on the expected credit losses which uses a lifetime expected loss allowance. The loss allowances are based on assumptions about risk of default and expected loss rates. The Shuifa Clean Energy Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Shuifa Clean Energy Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**(ii) Useful lives of property, plant and equipment**

The Shuifa Clean Energy Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

**(iii) Impairment of property, plant and equipment**

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related assets values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Shuifa Clean Energy Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of profit or loss and other comprehensive income.

**(iv) Impairment of the Shuifa Clean Energy Group's assets**

The Shuifa Clean Energy Group follows the guidance of IAS 36 to determine whether the Shuifa Clean Energy Group's assets are impaired. As stated in IAS 36, the equity attributable to owners of an entity that exceeds its market capitalisation is an impairment indicator which would require an estimate of the recoverable amount to be performed.

The Shuifa Clean Energy Group needs to assess whether its assets are impaired. This assessment requires significant judgments and estimations. In making these judgments and estimations, the Shuifa Clean Energy Group evaluates and considers both qualitative and quantitative factors that will affect the value-in-use of an asset or a cash-generating unit ("CGU") such as the extent of difference between the equity attributable to owners of Shuifa Clean Energy and market capitalisation, composition of the Shuifa Clean Energy Group's assets, results and timing of previous impairment tests.

**(v) Income taxes and deferred income tax**

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

**6. REVENUE AND SEGMENT INFORMATION****Revenue**

*Disaggregation of revenue from contracts with customers by the Shuifa Clean Energy Group during the Shuifa Clean Energy Track Record Period*

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers:				(unaudited)	
— Sale of electricity	41,499	48,905	37,397	—	171,649
— Sale of products	5,864	198,448	858,032	824,634	585,141
	<u>47,363</u>	<u>247,353</u>	<u>895,429</u>	<u>824,634</u>	<u>756,790</u>
Timing of revenue recognition					
— Recognised at a point of time	<u>47,363</u>	<u>247,353</u>	<u>895,429</u>	<u>824,634</u>	<u>756,790</u>

**Segment information**

The board of directors of Shuifa Clean Energy has been identified as the chief operating decision-maker. For the purposes of resources allocation and performance assessment, the chief operating decision-maker reviews the overall results and financial position of the Shuifa Clean Energy Group as a whole prepared based on same accounting policies set out in Note 4. The Shuifa Clean Energy Group's operations are principally engaged in the business of sale of electricity in PRC during the Shuifa Clean Energy Track Record Period. Accordingly, the directors of Shuifa Clean Energy Group consider there to be only one single operating segment under the requirements of IFRS 8 "Segment Information". In this regard, no further analysis of this single segment information is presented.

**Geographical information**

No geographical segment information is presented as the Shuifa Clean Energy Group's operation is mainly in the PRC and all its non-current assets are situated in the PRC. All of the Shuifa Clean Energy Group's revenue from external customers is attributable to the group entities' place of domicile (i.e., the PRC).

**Unsatisfied performance obligations**

During the Shuifa Clean Energy Track Record Period, all performance obligations not yet satisfied by the Shuifa Clean Energy Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under IFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied performance obligations was not disclosed.

**Information about major customers**

Revenue from customers during the Shuifa Clean Energy Track Record Period contributing for 10% or more of the total revenue of the Shuifa Clean Energy Group are as follows:

	Year ended 31 December			Nine months ended	
	2019	2020	2021	30 September 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Customer A	41,499	48,905	— <sup>1</sup>	— <sup>1</sup>	— <sup>1</sup>
Customer B	— <sup>1</sup>	— <sup>1</sup>	— <sup>2</sup>	— <sup>1</sup>	171,649
Customer C	5,864	— <sup>1</sup>	— <sup>1</sup>	— <sup>1</sup>	— <sup>1</sup>
Customer D	— <sup>1</sup>	— <sup>2</sup>	— <sup>1</sup>	— <sup>1</sup>	299,737
Customer E	— <sup>1</sup>	51,964	— <sup>2</sup>	— <sup>2</sup>	173,954
Customer F	— <sup>1</sup>	106,112	— <sup>2</sup>	— <sup>2</sup>	— <sup>1</sup>
Customer G	— <sup>1</sup>	— <sup>1</sup>	316,918	285,987	— <sup>1</sup>
Customer H	— <sup>1</sup>	— <sup>1</sup>	194,276	193,809	— <sup>1</sup>
Customer K (Note)	— <sup>1</sup>	— <sup>1</sup>	— <sup>1</sup>	— <sup>1</sup>	97,345

<sup>1</sup> No revenue was generated from this customer for the relevant year/period.

<sup>2</sup> The revenue generated from the customer was less than 10% of the total revenue of the Shuifa Clean Energy Group for the relevant year/period.

*Note:* The customer is controlled and beneficially owned by the ultimate controlling shareholder of the Shuifa Clean Energy Group.

## 7. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Nine months ended 30 September	
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Other income</b>					
Others	—	100	40	161	125
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other gains and losses, net</b>					
Gain on bargain purchase on acquisition of 32% equity interest in Dongying Tianze and 90% equity interest in Changzhou Zhuohui (Notes 28 (i) and (ii))	4,454	—	65,228	—	—
Gains on disposal of plant and equipment	—	39	—	—	—
Others	(7)	(9)	(1,973)	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	4,447	30	63,255	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Other income, other gains and losses, net</b>	<u>4,447</u>	<u>130</u>	<u>63,295</u>	<u>161</u>	<u>125</u>

## 8. FINANCE COSTS, NET

	Year ended 31 December			Nine months ended 30 September	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
<b>Finance costs:</b>					
Interest on corporate bonds	—	—	—	—	181
Interest on bank and other borrowings	—	—	322	—	5,238
Interest on lease liabilities	42,075	36,152	20,002	19,338	31,107
Other finance charges	28	647	130	128	979
	<u>42,103</u>	<u>36,799</u>	<u>20,454</u>	<u>19,466</u>	<u>37,505</u>
Less: Interest capitalisation	—	—	—	—	181
Total finance costs	<u>42,103</u>	<u>36,799</u>	<u>20,454</u>	<u>19,466</u>	<u>37,324</u>
<b>Finance income:</b>					
Bank interest income	<u>(8)</u>	<u>(46)</u>	<u>(117)</u>	<u>(30)</u>	<u>(269)</u>
Total finance income	<u>(8)</u>	<u>(46)</u>	<u>(117)</u>	<u>(30)</u>	<u>(269)</u>
<b>Finance cost, net</b>	<u><u>42,095</u></u>	<u><u>36,753</u></u>	<u><u>20,337</u></u>	<u><u>19,436</u></u>	<u><u>37,055</u></u>

The capitalization rates used to determine the amount of borrowing costs during the nine months ended 30 September 2022 are 5.10% to 6.41%.

**9. PROFIT (LOSS) BEFORE INCOME TAX**

Profit (loss) before income tax for the Shuifa Clean Energy Track Record Period has been arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Depreciation of property, plant and equipment	1,909	2,348	143,197	107,323	43,244
Depreciation of right-of-use assets	11,812	9,026	5,430	101	4,002
	<u>13,721</u>	<u>11,374</u>	<u>148,627</u>	<u>107,424</u>	<u>47,246</u>
Staff costs (including directors' remuneration)					
Salaries and other benefits	2,714	3,291	5,013	3,032	4,678
Performance bonus	—	—	—	—	—
Retirement benefits scheme contribution	336	407	302	218	279
	<u>3,050</u>	<u>3,698</u>	<u>5,315</u>	<u>3,250</u>	<u>4,957</u>
Others:					
Auditor's remuneration	—	—	—	—	—
Allowance for credit losses on trade and other receivables	—	—	2,356	1,973	303
	<u>—</u>	<u>—</u>	<u>2,356</u>	<u>1,973</u>	<u>303</u>

**10. INCOME TAX CHARGE**

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Current CIT	405	16,386	4,487	860	4,529
Deferred tax	—	—	—	—	—
	<u>405</u>	<u>16,386</u>	<u>4,487</u>	<u>860</u>	<u>4,529</u>
Income tax charge	<u>405</u>	<u>16,386</u>	<u>4,487</u>	<u>860</u>	<u>4,529</u>



The applicable corporate income tax (“CIT”) rate for PRC subsidiaries is 25% except for certain subsidiaries that are entitled to preferential tax rates as discussed below:

For subsidiaries engaging in the approved projects of solar power station construction, they are exempted from CIT for the first three years and are entitled to a 50% tax reduction for the subsequent three years (“三免三減半”) since their respective first revenue generating years.

The difference between the actual income tax expense charged to the consolidated statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rates to profit (loss) before income tax can be reconciled as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i>
Profit (loss) before income tax	(13,682)	(10,137)	57,706	1,795	78,537
Tax at the applicable tax rate of 25%	(3,420)	(2,534)	14,426	449	19,635
Tax effect of non-deductible expenses	5,506	1,212	6,402	710	1,458
Income not subject to tax	(4,129)	—	(16,341)	(299)	(16,564)
Others	2,448	17,708	—	—	—
Income tax charge	405	16,386	4,487	860	4,529

No deferred tax assets or liabilities has been recognised in the Shuifa Clean Energy Historical Financial Information as Shuifa Clean Energy did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2019, 2020 and 2021 and 30 September 2022.

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

## (a) Directors' and chief executive's emoluments

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance bonus <i>RMB'000</i>	Retirement benefits scheme contribution <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2019</b>					
<b>Executive directors</b>					
商敬配 (Shang Jingpei)	—	134	—	16	150
李文智 (Li Wenzhi)	—	136	—	16	152
李志國 (Li Zhiguo)	—	—	—	—	—
張強 (Zhang Qiang)	—	—	—	—	—
張健源 (Zhang Jianyuan)	—	—	—	—	—
<b>Supervisors</b>					
李延傑 (Li Yanjie)	—	—	—	—	—
常俊傑 (Chang Junjie)	—	—	—	—	—
周劍 (Zhou Jian)	—	—	—	—	—
	—	270	—	32	302
<b>For the year ended 31 December 2020</b>					
<b>Executive directors</b>					
Shang Jingpei	—	130	—	16	146
Li Wenzhi	—	133	—	16	149
Li Zhiguo	—	—	—	—	—
Zhang Qiang	—	—	—	—	—
Zhang Jianyuan	—	—	—	—	—
<b>Supervisors</b>					
Li Yanjie	—	—	—	—	—
Chang Junjie	—	—	—	—	—
Zhou Jian	—	24	—	2	26
	—	287	—	34	321
<b>For the year ended 31 December 2021</b>					
<b>Executive directors</b>					
Shang Jingpei	—	168	—	20	188
Li Wenzhi	—	167	—	20	187
Li Zhiguo	—	—	—	—	—
Zhang Qiang	—	—	—	—	—
Zhang Jianyuan	—	—	—	—	—
<b>Supervisors</b>					
Li Yanjie	—	—	—	—	—
Chang Junjie	—	—	—	—	—
Zhou Jian	—	62	—	7	69
	—	397	—	47	444

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance bonus <i>RMB'000</i>	Retirement benefits scheme contribution <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the nine months ended 31 September 2022</b>					
<b>Executive directors</b>					
商敬配 (Shang Jingpei)	—	118	—	14	132
李文智 (Li Wenzhi)	—	105	—	13	118
李志國 (Li Zhiguo)	—	—	—	—	—
張強 (Zhang Qiang)	—	—	—	—	—
張健源 (Zhang Jianyuan)	—	—	—	—	—
<b>Supervisors</b>					
李延傑 (Li Yanjie)	—	—	—	—	—
常俊傑 (Chang Junjie)	—	—	—	—	—
周劍 (Zhou Jian)	—	59	—	7	66
	—	282	—	34	316
<b>For the nine months ended 31 September 2021 (unaudited)</b>					
<b>Executive directors</b>					
Shang Jingpei	—	130	—	16	146
Li Wenzhi	—	125	—	15	140
Li Zhiguo	—	—	—	—	—
Zhang Qiang	—	—	—	—	—
Zhang Jianyuan	—	—	—	—	—
<b>Supervisors</b>					
Li Yanjie	—	—	—	—	—
Chang Junjie	—	—	—	—	—
Zhou Jian	—	44	—	5	49
	—	299	—	36	335

During the Shuifa Clean Energy Track Record Period, no remuneration was paid by the Shuifa Clean Energy Group to any directors or supervisors of Shuifa Clean Energy as an inducement to join or upon joining the Shuifa Clean Energy Group or as compensation for loss of office. None of the directors or supervisors of Shuifa Clean Energy has waived any remuneration during the Shuifa Clean Energy Track Record Period.

**(b) Employees' emoluments**

The five highest paid employees of the Shuifa Clean Energy Group included one, one, one, one and two directors during the year ended 31 December 2019, 2020, 2021 and the nine months ended 30 September 2021 (unaudited) and 2022, respectively, details of whose remuneration are set out above.

Details of the remuneration for the remaining highest paid employees during the Shuifa Clean Energy Track Record Period, who were neither a director nor supervisor of Shuifa Clean Energy are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i>
Salaries and other benefits	684	691	732	553	512
Performance bonus	—	—	—	—	—
Retirement benefits scheme contribution	85	85	91	68	63
	<u>769</u>	<u>776</u>	<u>823</u>	<u>621</u>	<u>575</u>

During the Shuifa Clean Energy Track Record Period, no emoluments were paid by the Shuifa Clean Energy Group to the directors or supervisors or the five highest paid individuals of Shuifa Clean Energy as an inducement to join or upon joining the Shuifa Clean Energy Group or as compensation for loss of office.

The remunerations of each of the highest paid employees who are neither directors nor chief executive officer are all within RMB1,000,000.

## 12. DIVIDEND

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividend declared and paid	2,000	—	—	—	—

A final dividend to the then shareholders of a subsidiary of Shuifa Clean Energy of RMB2,000,000 was declared for the year ended 31 December 2019.

Other than the above and the dividends paid to non-controlling shareholder of a subsidiary during the years ended 31 December 2019 and 2020, no dividend was paid or declared by Shuifa Clean Energy and other companies comprising the Shuifa Clean Energy Group during the Shuifa Clean Energy Track Record Period.

The rate of dividend and the number of shares, ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of this report.

## 13. PROPERTY, PLANT AND EQUIPMENT

## The Shuifa Clean Energy Group

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fittings and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2019	6,620	—	106	61	—	6,787
Additions ( <i>Note below</i> )	22,340	4,052	139	45	—	26,576
Disposals	(172)	—	—	—	—	(172)
At 31 December 2019	28,788	4,052	245	106	—	33,191
Additions	—	7,430	255	534	—	8,219
Disposals	—	—	(139)	(27)	—	(166)
At 31 December 2020	28,788	11,482	361	613	—	41,244
Additions ( <i>Note below</i> )	48,695	1,356,591	172	183	125,014	1,530,655
Disposals ( <i>Note below</i> )	(28,787)	(267,865)	(106)	(539)	—	(297,297)
At 31 December 2021	48,696	1,100,208	427	257	125,014	1,274,602
Additions	—	267	—	67	2,631	2,965
At 30 September 2022	<u>48,696</u>	<u>1,100,475</u>	<u>427</u>	<u>324</u>	<u>127,645</u>	<u>1,277,567</u>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2019	373	—	16	15	—	404
Provided for the year	1,452	401	42	14	—	1,909
Eliminated on disposals	(7)	—	—	—	—	(7)
At 31 December 2019	1,818	401	58	29	—	2,306
Provided for the year	1,094	1,148	82	24	—	2,348
Eliminated on disposals	—	—	(26)	(2)	—	(28)
At 31 December 2020	2,912	1,549	114	51	—	4,626
Provided for the year	4,453	138,644	73	27	—	143,197
Eliminated on disposals ( <i>Note below</i> )	(2,912)	(33,584)	(67)	(42)	—	(36,605)
At 31 December 2021	4,453	106,609	120	36	—	111,218
Provided for the period	1,367	41,756	76	45	—	43,244
At 30 September 2022	<u>5,820</u>	<u>148,365</u>	<u>196</u>	<u>81</u>	<u>—</u>	<u>154,462</u>
<b>Carrying amounts</b>						
At 31 December 2019	<u>26,970</u>	<u>3,651</u>	<u>187</u>	<u>77</u>	<u>—</u>	<u>30,885</u>
At 31 December 2020	<u>25,876</u>	<u>9,933</u>	<u>247</u>	<u>562</u>	<u>—</u>	<u>36,618</u>
At 31 December 2021	<u>44,243</u>	<u>993,599</u>	<u>307</u>	<u>221</u>	<u>125,014</u>	<u>1,163,384</u>
At 30 September 2022	<u>42,876</u>	<u>952,110</u>	<u>231</u>	<u>243</u>	<u>127,645</u>	<u>1,123,105</u>

*Note:* The amounts include the additions relating to the acquisition of subsidiaries and the disposals relating to the disposal of subsidiaries and details of which are set out in notes 28 (i) and (ii) and 29 (i) and (ii).

## Shuifa Clean Energy

	<b>Motor vehicles</b> <i>RMB'000</i>	<b>Furniture, fittings and equipment</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Cost</b>			
At 1 January 2019	—	13	13
Additions	139	—	139
At 31 December 2019	139	13	152
Additions	255	31	286
Disposals	(139)	—	(139)
At 31 December 2020	255	44	299
Additions	172	190	362
At 31 December 2021 and 30 September 2022	<u>427</u>	<u>234</u>	<u>661</u>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2019	—	2	2
Provided for the year	17	3	20
At 31 December 2019	17	5	22
Provided for the year	26	6	32
Eliminated on disposals	(26)	—	(26)
At 31 December 2020	17	11	28
Provided for the year	103	12	115
At 31 December 2021	120	23	143
Provided for the period	76	38	114
At 30 September 2022	<u>196</u>	<u>61</u>	<u>257</u>
<b>Carrying amounts</b>			
At 31 December 2019	<u>122</u>	<u>8</u>	<u>130</u>
At 31 December 2020	<u>238</u>	<u>33</u>	<u>271</u>
At 31 December 2021	<u>307</u>	<u>211</u>	<u>518</u>
At 31 September 2022	<u>231</u>	<u>173</u>	<u>404</u>

The above items of property, plant and equipment, except for construction in progress, are depreciated at the rates per annum on a straight-line basis, details of the depreciation rate have been disclosed in Note 4.

All of the Shuifa Clean Energy Group's buildings are located in the PRC and situated on lands which are held under medium-term lease.

#### 14. LEASES

##### (a) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Right-of-use assets</b>				
Land use right	1,311	1,276	2,322	2,287
Electricity facility and equipment	233,339	224,348	313,866	309,899
	<u>234,650</u>	<u>225,624</u>	<u>316,188</u>	<u>312,186</u>
<b>Lease liabilities</b>				
Current	19,400	21,575	2,500	19,869
Non-current	242,350	225,706	79,686	65,317
	<u>261,750</u>	<u>247,281</u>	<u>82,186</u>	<u>85,186</u>
<b>Present value of lease liabilities:</b>				
Within one year	19,400	21,575	2,500	19,869
Within a period of more than one year but not exceeding two years	72,705	26,406	23,906	25,556
Over three years	169,645	199,300	55,780	39,761
	<u>261,750</u>	<u>247,281</u>	<u>82,186</u>	<u>85,186</u>



Movements in right-of-use assets are analysed as follows:

	<b>Land use right</b> <i>RMB'000</i>	<b>Electricity facility and equipment</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended 31 December 2019</b>			
Net book values as at 1 January 2019	335	121,418	121,753
Additions ( <i>Note below</i> )	1,034	123,675	124,709
Depreciation	(58)	(11,754)	(11,812)
	<u>1,311</u>	<u>233,339</u>	<u>234,650</u>
Net book values as at 31 December 2019	<u>1,311</u>	<u>233,339</u>	<u>234,650</u>
<b>Year ended 31 December 2020</b>			
Net book values as at 1 January 2020	1,311	233,339	234,650
Depreciation	(35)	(8,991)	(9,026)
	<u>1,276</u>	<u>224,348</u>	<u>225,624</u>
Net book values as at 31 December 2020	<u>1,276</u>	<u>224,348</u>	<u>225,624</u>
<b>Year ended 31 December 2021</b>			
Net book values as at 1 January 2021	1,276	224,348	225,624
Additions ( <i>Note below</i> )	1,187	94,807	95,994
Depreciation	(141)	(5,289)	(5,430)
	<u>2,322</u>	<u>313,866</u>	<u>316,188</u>
Net book values as at 31 December 2021	<u>2,322</u>	<u>313,866</u>	<u>316,188</u>
<b>Nine months ended 30 September 2022</b>			
Net book values as at 1 January 2022	2,322	313,866	316,188
Depreciation	(35)	(3,967)	(4,002)
	<u>2,287</u>	<u>309,899</u>	<u>312,186</u>
Net book values as at 30 September 2022	<u>2,287</u>	<u>309,899</u>	<u>312,186</u>

*Note:* The amounts include the additions relating to the acquisition of subsidiaries and details of which are set out in notes 28 (i) and (ii).

At 31 December 2021 and 30 September 2022, the carrying value of the Group's right-of-use assets of approximately RMB1,000,000 and RMB987,000, respectively was pledged as security for the finance lease granted to the Group as set out in Note 27.

**(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income**

The consolidated statement of profit or loss show the following amounts relating to leases:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
<b>Depreciation charge of right-of-use assets</b>					
Land use right	58	35	141	101	35
Electricity facility and equipment	11,754	8,991	5,289	—	3,967
	<u>11,812</u>	<u>9,026</u>	<u>5,430</u>	<u>101</u>	<u>4,002</u>
Interest expense on lease liabilities (included in finance costs)	<u>42,075</u>	<u>36,152</u>	<u>20,002</u>	<u>19,338</u>	<u>31,107</u>
Expense relating to short-term leases and low value leases	<u>176</u>	<u>178</u>	<u>372</u>	<u>82</u>	<u>—</u>

The Shuifa Clean Energy Group leases various electricity facility and equipment. Rental contracts are typically entered into for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

## 15. TRADE AND OTHER RECEIVABLES

## The Shuifa Clean Energy Group

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Trade and bills receivables:</b>				
Trade receivables	78,367	114,447	235,621	279,395
Bills receivables	—	100	—	—
	<u>78,367</u>	<u>114,547</u>	<u>235,621</u>	<u>279,395</u>
Less: Allowance for credit losses	—	—	(2,356)	(2,659)
	<u>78,367</u>	<u>114,547</u>	<u>233,265</u>	<u>276,736</u>
Others:				
Amounts due from related companies (Note 26)	22,065	20,019	97,955	67,866
Deposits and prepayments	23,276	16,528	153,933	1,495
Other tax recoverable	21,092	14,770	129,364	—
Other receivables	78	90	9,694	—
	<u>66,511</u>	<u>51,407</u>	<u>390,946</u>	<u>69,361</u>
Less: Allowance for credit losses	—	—	—	—
	<u>66,511</u>	<u>51,407</u>	<u>390,946</u>	<u>69,361</u>
	<u>144,878</u>	<u>165,954</u>	<u>624,211</u>	<u>346,097</u>

## Shuifa Clean Energy

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Trade and bills receivables:</b>				
Trade receivables	—	28,486	26,581	73,554
Bills receivables	—	—	—	—
	—	28,486	26,581	73,554
Less: Allowance for credit losses	—	—	(266)	(276)
	—	28,486	26,315	73,278
Others:				
Amounts due from related companies ( <i>Note 26</i> )	22,065	20,019	97,955	67,866
Deposits and prepayments	7,224	6,259	103,447	2,608
Other tax recoverable	5,254	9,619	9,455	—
Other receivables	31	35	2,864	4
	34,574	35,932	213,721	70,478
Less: Allowance for credit losses	—	—	—	—
	34,574	35,932	213,721	70,478
	34,574	64,418	240,036	143,756

An ageing analysis of the Shuifa Clean Energy Group's trade and bills receivables at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within 1 year	78,367	36,659	233,265	41,115
1 to 2 years	—	77,888	—	235,621
	78,367	114,547	233,265	276,736

As at 31 December 2019, 2020 and 2021 and 30 September 2022 the Shuifa Clean Energy Group has pledged trade receivables of approximately RMB78,367,000, RMB109,403,000, Nil and Nil to secure credit facilities granted to the Shuifa Clean Energy Group (Notes 14 and 27).

The carrying amounts of trade and bills receivables approximately their fair values and all were dominated in RMB at the end of each reporting period during the Shuifa Clean Energy Track Record Period.

## 16. CASH AND CASH EQUIVALENTS

### The Shuifa Clean Energy Group

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
Cash and bank balances	3,068	8,887	83,172	126,822

### Shuifa Clean Energy

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
Cash and bank balances	77	4,212	7,530	1,207

The Shuifa Clean Energy Group's cash and bank balances was denominated in RMB.

During the Shuifa Clean Energy Track Record Period, bank balances carry interest at market rates which range from 0.001% to 0.52% as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. There is no restricted bank balance as at 31 December 2019, 2020 and 2021 and 30 September 2022.

## 17. TRADE AND OTHER PAYABLES

## The Shuifa Clean Energy Group

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
Trade payables	2,407	5,222	404,410	378,837
Other payables and accruals	35,667	22,655	301,456	106,200
Amounts due to related parties (Note 26)	103,264	46,135	177,333	17,960
	<u>141,338</u>	<u>74,012</u>	<u>883,199</u>	<u>502,997</u>

## Shuifa Clean Energy

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
Trade payables	150	3,225	13,841	22,745
Other payables and accruals	6,001	21,894	299,618	98,683
Amounts due to related parties	102,479	221	158,442	17,684
Amounts due to subsidiaries	–	26,671	50,987	201,699
	<u>108,630</u>	<u>52,011</u>	<u>522,888</u>	<u>340,811</u>

An ageing analysis of the Shuifa Clean Energy Group's trade payables at the end of each reporting period during the Shuifa Clean Energy Track Record Period, based on the transaction date were as follows:

	As at 31 December		As at 30 September	
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,684	3,695	392,737	18,942
Between 1 year and 2 years	344	817	11,120	359,895
Between 2 years and 3 years	379	331	553	—
Over 3 years	—	379	—	—
	<u>2,407</u>	<u>5,222</u>	<u>404,410</u>	<u>378,837</u>

The trade and other payables are non-interest-bearing and are normally settled within one to six months.

The carrying amounts of trade and other payables approximated their fair values as at the end of each reporting period during the Shuifa Clean Energy Track Record Period.

## 18. BANK AND OTHER BORROWINGS

## The Shuifa Clean Energy Group

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Bank borrowings (Note (i) below)	—	—	940,000	904,000
Other borrowings (Note (ii) below)	—	—	25,000	25,000
	—	—	965,000	929,000
	<b>—</b>	<b>—</b>	<b>965,000</b>	<b>929,000</b>
<b>Analysed as:</b>				
Secured	—	—	940,000	904,000
Unsecured	—	—	25,000	25,000
	—	—	965,000	929,000
	<b>—</b>	<b>—</b>	<b>965,000</b>	<b>929,000</b>
The carrying amounts of borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable on:				
Within one year or on demand	—	—	90,000	25,000
Within a period of more than one year but not exceeding two years	—	—	25,000	—
More than five years	—	—	850,000	904,000
	—	—	965,000	929,000
Less: Amounts due within one year shown under current liabilities	—	—	(90,000)	(25,000)
Amounts shown under non-current liabilities	—	—	875,000	904,000
	<b>—</b>	<b>—</b>	<b>875,000</b>	<b>904,000</b>
<b>Analysed as:</b>				
Current	—	—	90,000	25,000
Non-current	—	—	875,000	904,000
	—	—	965,000	929,000
	<b>—</b>	<b>—</b>	<b>965,000</b>	<b>929,000</b>



Notes:

(i) Bank borrowings

As at 31 December 2021 and 30 September 2022, bank borrowings were secured by (1) corporate guarantee provided by a shareholder; and (2) right-of-use assets from a subsidiary of Shuifa Clean Energy Group. As at 31 December 2021 and 30 September 2022, interest on bank borrowings is charged on the outstanding amount at a range of 4.05% to 4.40% and 4.05% to 4.40% per annum, respectively.

(ii) Other borrowings

As at 31 December 2021 and 30 September 2022, interest on other borrowings is charged on the outstanding amount at a range of 3.80% to 5.05% and 3.80% to 5.05% per annum, respectively.

## 19. CORPORATE BONDS

### The Shuifa Clean Energy Group

	As at 31 December		As at 30 September	
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts of corporate bonds repayable based on scheduled repayment dates set out in the agreements:				
After two years but within five years, shown as non-current	—	—	—	81,500

### Shuifa Clean Energy

	As at 31 December		As at 30 September	
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts of corporate bonds repayable based on scheduled repayment dates set out in the agreements:				
After two years but within five years, shown as non-current	—	—	—	81,500

In August 2022, the Shuifa Clean Energy issued corporate bonds with the normal amount of RMB81,500,000 to certain third parties. The corporate bonds will be mature in 3 years from the date of issuance and bear interest at 8% per annum which are payable quarterly. All of these corporate bonds are guaranteed by the ultimate holding company.

## 20. SHARE CAPITAL

The movements of the Shuifa Clean Energy registered capital are as following:

	<b>Total</b> <i>RMB'000</i>
Balance as at 1 January 2019	—
Increase of registered capital during the year	500
	<hr/>
Balance as at 31 December 2019 and 1 January 2020	500
Increase of registered capital during the year	19,500
	<hr/>
Balance as at 31 December 2020 and 1 January 2021	20,000
Increase of registered capital during the period	295
	<hr/>
Balance as at 31 December 2021, 1 January 2022 and 30 September 2022	20,295
	<hr/> <hr/>

**21. RESERVES**

The amounts of the Shuifa Clean Energy Group's reserves and the movements therein for each of the reporting periods are presented in the consolidated statements of changes in equity.

The reserves of the Shuifa Clean Energy Group consist of the following:

**Statutory reserves**

Pursuant to the relevant PRC rules and regulations, Shuifa Clean Energy which is incorporated in the PRC, is required to transfer no less than 10% of its profits after taxation, after offsetting any prior years' loss as determined under the Chinese Company Law, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders of Shuifa Clean Energy.

**Reserves of Shuifa Clean Energy**

	<b>(Accumulated losses) retained earnings RMB'000</b>
Balance as at 1 January 2019	(4,644)
Loss and total comprehensive expense for the year	<u>(26,117)</u>
Balance as at 31 December 2019 and 1 January 2020	(30,761)
Profit and total comprehensive income for the year	<u>77,484</u>
Balance as at 31 December 2020 and 1 January 2021	46,723
Profit and total comprehensive income for the year	<u>13,204</u>
Balance as at 31 December 2021 and 1 January 2022	59,927
Profit and total comprehensive income for the period	<u>39,666</u>
Balance as at 30 September 2022	<u><u>99,593</u></u>

## 22. CAPITAL RISK MANAGEMENT

## Financial instruments by category

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Financial assets at amortised costs</b>				
Trade and other receivables, excluding non-financial assets	132,276	158,736	500,278	344,602
Cash and cash equivalents	3,068	8,887	83,172	126,822
Total financial assets	<u>135,344</u>	<u>167,623</u>	<u>583,450</u>	<u>471,424</u>
<b>Financial liabilities at amortised costs</b>				
Trade and other payables, excluding non-financial assets	141,338	74,012	883,199	502,997
Bank and other borrowings	—	—	965,000	929,000
Corporate bonds	—	—	—	81,500
Lease liabilities	261,750	247,281	82,186	85,186
Total financial liabilities	<u>403,088</u>	<u>321,293</u>	<u>1,930,385</u>	<u>1,598,683</u>

The Shuifa Clean Energy Group's objectives when managing capital are to safeguard the Shuifa Clean Energy Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Shuifa Clean Energy Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Shuifa Clean Energy Group monitors capital on the basis of the net debt to total capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, corporate bonds and lease liabilities less cash and cash equivalents. Total capital is calculated as 'total equity' as shown in the consolidated statements of financial position plus net debt.

The gearing ratios as at 31 December 2019, 2020 and 2021 and 30 September 2022, were as follows:

	As at 31 December			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Net debt	258,682	238,394	964,014	968,864
Total equity	10,221	99,944	206,354	301,067
Total capital	268,903	338,338	1,170,368	1,269,931
The net debt to total capital ratio	96%	70%	82%	76%

### 23. FINANCIAL RISK MANAGEMENT

The Shuifa Clean Energy Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Shuifa Clean Energy Group's overall risk management program focuses on the unpredictability of financial market and seeks to minimise potential adverse effects on the Shuifa Clean Energy Group's financial performance.

The Shuifa Clean Energy Group's financial instruments are summarised in Note 22 above. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The management of the Shuifa Clean Energy Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Financial risk factors

##### (a) Market risk

###### (i) Foreign exchange risk

The Shuifa Clean Energy Group mainly operates in the PRC with functional currency as RMB.

The Shuifa Clean Energy Group and Shuifa Clean Energy has no significant exposure to currency risk as substantially all of the Shuifa Clean Energy Group's transactions are denominated in RMB.

*(ii) Cash flow and fair value interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the interest rate risk on the variable interest earned in relation to the bank balance and incurred on other borrowings and lease liabilities. Shuifa Clean Energy Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities, corporate bonds and bank deposit. It is the Shuifa Clean Energy Group's policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to minimise the fair value and cash flow interest rate risk.

No sensitivity analysis on variable interest rate bearing bank balances and other borrowing and lease liabilities is presented as the impact is expected to be insignificant.

***(b) Credit risk***

The Shuifa Clean Energy Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables and other receivables. The carrying amounts of cash and cash equivalents, trade and other receivables represent the Shuifa Clean Energy Group's maximum exposure to credit risk in relation to financial assets.

Credit risk on trade debtors is managed by the management of the individual business units and monitored by the Shuifa Clean Energy Group's management on a group basis. Most customers are sizable and renowned. Management assesses the credit quality of smaller customers by considering their financial position, past experience therewith and other relevant factors. The utilisation of credit limits is regularly monitored.

*(i) Credit risk of cash and cash equivalents*

To manage this risk arising from bank balances, the Shuifa Clean Energy Group primarily transacts with reputable banks which are all high-credit-quality financial institutions. There has no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) *Credit risk of trade and bills receivables*

The Shuifa Clean Energy Group has trade and bills receivables for provision of services or sales of goods subject to the expected credit loss model on adoption of IFRS 9.

The Shuifa Clean Energy Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Management assessed the impairment of trade receivables and contract assets based on expected credit losses methodology. The impairment of individually significant trade receivables and contract assets were assessed on an individual basis based on management's estimates of the discounted future cash flows. Individual insignificant trade receivables and contract assets balances were grouped based on their credit risk characteristics for overall evaluation. The collective impairment provision was determined by management based on historical loss experience, taking into considerations of forward-looking macroeconomic data, industry risk and other circumstances.

To measure the expected credit losses, trade and other receivables have been grouped based on their credit risk characteristics for overall evaluation.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before the end of reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Shuifa Clean Energy Group has identified the CPI and GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the Shuifa Clean Energy Group had trade and bills receivables amounting to approximately RMB78,367,000, RMB114,547,000, RMB235,621,000 and RMB279,395,000, respectively and provisions for impairment of approximately Nil, Nil, RMB2,356,000 and RMB2,659,000 were recognised on the trade and bills receivables, respectively.

On that basis, the loss allowance as at 31 December 2019, 2020 and 2021 and 30 September 2022 was determined as follows for trade and bills receivables:

	Gross carrying amount <i>RMB'000</i>	Loss allowance <i>RMB'000</i>	Net amount <i>RMB'000</i>
Balance as at 31 December 2019			
Within 1 year	78,367	—	78,367
Total	<u>78,367</u>	<u>—</u>	<u>78,367</u>
Balance as at 31 December 2020			
Within 1 year	36,659	—	36,659
1 to 2 years	77,888	—	77,888
Total	<u>114,547</u>	<u>—</u>	<u>114,547</u>
Balance as at 31 December 2021			
Within 1 year	235,621	(2,356)	233,265
Total	<u>235,621</u>	<u>(2,356)</u>	<u>233,265</u>
Balance as at 30 September 2022			
Within 1 year	41,526	(411)	41,115
1 to 2 years	237,869	(2,248)	235,621
Total	<u>279,395</u>	<u>(2,659)</u>	<u>276,736</u>

The loss allowances for trade and bills receivables at the end of each reporting period reconcile to the opening loss allowances as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1 January	—	—	—	2,356
(Decrease) increase in the allowance recognised in profit or loss during the year/period	—	—	2,356	303
Balance as at 31 December/ 30 September	<u>—</u>	<u>—</u>	<u>2,356</u>	<u>2,659</u>



*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalent and the availability of funding through an adequate amount of committed credit facilities. The Shuifa Clean Energy Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Shuifa Clean Energy Group's liquidity reserve on the basis of expected cash flow.

The table below analyses the Shuifa Clean Energy Group's financial liabilities into relevant maturity groupings based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year</b> <i>RMB'000</i>	<b>1 to 2 years</b> <i>RMB'000</i>	<b>Over 3 years</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 31 December 2019				
Trade and other payables	74,406	24,032	42,900	141,338
Lease liabilities	20,595	77,183	180,095	277,873
	<u>95,001</u>	<u>101,215</u>	<u>222,995</u>	<u>419,211</u>
As at 31 December 2020				
Trade and other payables	50,858	5,954	17,200	74,012
Lease liabilities	22,904	—	239,609	262,513
	<u>73,762</u>	<u>5,954</u>	<u>256,809</u>	<u>336,525</u>
As at 31 December 2021				
Trade and other payables	674,101	20,736	188,362	883,199
Bank and other borrowings	93,807	26,057	885,955	1,005,819
Lease liabilities	2,654	25,378	59,216	87,248
	<u>770,562</u>	<u>72,171</u>	<u>1,133,533</u>	<u>1,976,266</u>
As at 30 September 2022				
Trade and other payables	116,801	361,176	25,020	502,997
Bank and other borrowings	26,057	—	942,239	968,296
Corporate bonds	—	—	88,020	88,020
Lease liabilities	21,092	27,130	42,210	90,432
	<u>163,950</u>	<u>388,306</u>	<u>1,097,489</u>	<u>1,649,745</u>

**Fair value estimation**

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Shuifa Clean Energy Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Shuifa Clean Energy Historical Financial Information approximate to their fair values.

**24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Shuifa Clean Energy Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Shuifa Clean Energy Group's consolidated statements of cash flows as cash flows from financing activities.

	<b>Lease liabilities</b> <i>RMB'000</i>	<b>Bank and other borrowings</b> <i>RMB'000</i>	<b>Corporate bonds</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2022</b>				
As at 1 January 2019	15,621	—	—	15,621
Financing cash flows, net (Note below)	208,599	—	—	208,599
Other changes:				
— Interest expenses	42,075	—	—	42,075
— Interest payment	(4,545)	—	—	(4,545)
As at 31 December 2019	261,750	—	—	261,750
Financing cash flows, net	(36,152)	—	—	(36,152)
Other changes:				
— Interest expenses	36,152	—	—	36,152
— Interest payment	(14,469)	—	—	(14,469)
As at 31 December 2020	247,281	—	—	247,281
Financing cash flows, net (Note below)	(157,752)	965,000	—	807,248
Other changes:				
— Interest expenses	20,002	322	—	20,324
— Interest payment	(27,345)	(322)	—	(27,667)
As at 31 December 2021	82,186	965,000	—	1,047,186
Financing cash flows, net	(10,124)	(36,000)	81,500	35,376
Other changes:				
— Interest expenses	31,107	5,238	181	36,526
— Interest payment	(17,983)	(5,238)	(181)	(23,402)
As at 30 September 2022	<u>85,186</u>	<u>929,000</u>	<u>81,500</u>	<u>1,095,686</u>
<b>Nine months ended 30 September 2021 (unaudited)</b>				
As at 1 January 2021	247,281	—	—	247,281
Financing cash flows, net	(11,011)	—	—	(11,011)
Other changes:				
— Interest expenses	19,338	—	—	19,338
— Interest payment	(19,436)	—	—	(19,436)
As at 30 September 2021	<u>236,172</u>	<u>—</u>	<u>—</u>	<u>236,172</u>

*Note:* The amounts include the cash outflows/inflows relating to the acquisition of subsidiaries and the disposal of subsidiaries and details of which are set out in notes 28 (i) and (ii) and 29 (i) and (ii).

**25. RETIREMENT BENEFIT SCHEME**

The employees of the Shuifa Clean Energy Group are members of a state-managed retirement benefits scheme operated by the PRC Government. The Shuifa Clean Energy Group is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Shuifa Clean Energy Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statements of profit or loss and other comprehensive income of approximately RMB336,000, RMB407,000, RMB302,000, RMB218,000 and RMB279,000 for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 (unaudited) and 2022, respectively, represented contributions paid and/or payable to the scheme by the Shuifa Clean Energy Group for the reporting periods.

## 26. RELATED PARTY TRANSACTIONS

## (a) Transactions with related parties

Other than those disclosed elsewhere in this Shuifa Clean Energy Historical Financial Information, the Shuifa Clean Energy Group entered into the following transactions with related parties during the Shuifa Clean Energy Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales to related companies:					
淄博齊魯化學工業區熱力有限公司 (Zibo Qilu Chemical Industrial Zone Thermal Power Co., Ltd.)	—	544	—	—	—
荷澤眾興水環境有限公司 (Heze Zhongxing Water Environment Co., Ltd.)	—	788	—	—	—
水發建設(海南)實業有限公司 (Shuifa Construction (Hainan) Industrial Co., Ltd.)	—	—	—	—	97
	—	1,332	—	—	97
Purchases from related companies:					
水發能源集團有限公司 (Shuifa Energy Group Co., Ltd.)	—	17,855	1,006	—	—
淄博齊魯化學工業區熱力有限公司 (Zibo Qilu Chemical Industrial Zone Thermal Power Co., Ltd.)	—	1,223	1,900	—	—
山東奧翔電力工程設計諮詢 有限公司 (Shandong Aoxiang Power Engineering Design Consulting Co., Ltd.)	—	—	82	—	—
水發興業能源發展(山東)有限公司 (Shuifa Xingye Energy Development (Shandong) Co., Ltd.)	—	—	420	—	—
	—	19,078	3,408	—	—

**(b) Balances with related parties**

Other than those disclosed elsewhere in this Shuifa Clean Energy Historical Financial Information, the Shuifa Clean Energy Group did not have any significant outstanding balances with related parties as at 31 December 2019, 2020 and 2021 and 20 September 2022:

	As at 31 December		As at	
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from immediate holding company:				
Shuifa Energy Group	21,950	19,311	20,000	—
Amounts due from related companies:				
臨洮縣東營太陽能科技有限責任公司 (Lintao Dongju Solar Energy Technology Co., Ltd.)	115	—	—	—
荷澤眾興水環境有限公司 (Heze Zhongxing Water Environment Co., Ltd.)	—	558	—	—
青島能安恒信科技有限公司 (Qingdao Neng'an Hengxin Technology Co., Ltd.)	—	150	150	—
新泰市中穆新能源科技有限公司 (Xintai Zhongmu New Energy Technology Co., Ltd.)	—	—	17,228	7,835
荷澤開發區水發光耀新能源有限公司 (Heze Development Zone Shuifa Guangyao New Energy Co., Ltd.)	—	—	3,437	3,437
東營天澤新能源科技有限公司 (Dongying Tianze New Energy Technology Co., Ltd.)	—	—	6,960	6,960
水發綠色能源有限公司 (Shuifa Green Energy Co., Ltd.)	—	—	50,180	49,634
	<u>22,065</u>	<u>20,019</u>	<u>97,955</u>	<u>67,866</u>

	As at 31 December		As at 30 September	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Amount due to immediate holding company:				
Shuifa Energy Group	63,125	—	161,552	17,945
Amounts due to related companies:				
曹曇東合新能源有限公司 (Caodian Donghe New Energy Co., Ltd.)	40,000	—	—	—
山東水發綜合能源有限公司 (Shandong Shuifa Comprehensive Energy Co., Ltd.)	139	139	—	—
山東奧翔電力工程設計諮詢有限公司 (Shandong Aoxiang Power Engineering Design Consulting Co., Ltd.)	—	100	100	—
珠海永暉新能源科技有限公司 (Zhuhai Yonghui New Energy Technology Co., Ltd.)	—	25,000	—	—
淄博齊魯化學工業區熱力有限公司 (Zibo Qilu Chemical Industrial Zone Thermal Power Co., Ltd.)	—	20,646	546	—
臨洮縣東營太陽能科技有限責任公司 (Lintao Dongju Solar Energy Technology Co., Ltd.)	—	250	14,700	—
水發興業能源發展(山東)有限公司 (Shuifa Xingye Energy Development (Shandong) Co., Ltd.)	—	—	420	—
水發教育投資(山東)集團有限公司 (Shuifa Education Investment (Shandong) Group Co., Ltd.)	—	—	15	15
	<u>103,264</u>	<u>46,135</u>	<u>177,333</u>	<u>17,960</u>

## (c) Compensation of key management personnel

Compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Nine months ended 30 September	
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2021 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i>
Salaries and other benefits	954	978	1,129	852	794
Performance bonus	—	—	—	—	—
Retirement benefits scheme contribution	117	119	138	104	97
	<u>1,071</u>	<u>1,097</u>	<u>1,267</u>	<u>956</u>	<u>891</u>

## 27. PLEDGE OF ASSETS

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the Shuifa Clean Energy Group had pledged the following assets to the lenders to secure the credit facilities granted to the Shuifa Clean Energy Group:

	As at 31 December			As at 30 September
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Right-of-use assets	—	—	1,000	987
Trade receivables	<u>78,367</u>	<u>109,403</u>	<u>—</u>	<u>—</u>
	<u>78,367</u>	<u>109,403</u>	<u>1,000</u>	<u>987</u>



## 28. ACQUISITION OF SUBSIDIARIES

## (i) Year ended 31 December 2019

On 29 April 2019, the Shuifa Clean Energy Group acquired 68% equity interest in 東營天澤新能源科技有限公司 (Dongying Tianze New Energy Technology Co., Ltd., “**Dongying Tianze**”) with a consideration of RMB12,186,000. Dongying Tianze is principally engaged in the construction and operation of solar power stations. The acquisition has been accounted for as acquisition of business using the acquisition method.

RMB'000

**Consideration transferred:**

Cash consideration	12,186
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**Analysis of assets acquired, and liabilities recognised as at the date of acquisition:**

Property, plant and equipment	156,632
Right-of-use assets	1,019
Trade and other receivables	30,991
Cash and cash equivalents	4,518
Trade and other payables	(31,290)
Lease liabilities	(137,400)

	24,470
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**Gain on bargain purchase on acquisition of a subsidiary:**

Consideration transferred	12,186
Non-controlling interests	7,830
Less: Recognised amounts of net assets acquired	(24,470)

Gain on bargain purchase on acquisition of 68% equity interest in Dongying Tianze	(4,454)
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**Net cash outflow arising on acquisition:**

Cash consideration paid	12,186
Less: Cash and cash equivalents balances acquired	(4,518)

	7,668
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## (ii) Year ended 31 December 2021

*Changzhou Zhuohui New Energy Development Co., Ltd.,*

On 29 September 2021, the Shuifa Clean Energy Group acquired 90% interest in 常州卓輝新能源開發有限公司 (Changzhou Zhuohui New Energy Development Co., Ltd., “Changzhou Zhuohui”) with a consideration of RMB402,191,000. Changzhou Zhuohui is principally engaged in research, construction and operation of solar power station in PRC. The acquisition has been accounted for as acquisition of business using the acquisition method.

RMB'000

**Consideration transferred:**

Cash consideration	402,191
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**Analysis of assets acquired and liabilities recognised as at the date of acquisition:**

Property, plant and equipment	1,400,740
Right-of-use assets	90,945
Trade and other receivables	333,293
Cash and cash equivalents	128,602
Borrowings	(960,000)
Lease liabilities	(78,645)
Trade and other payables	(395,581)

	<u>519,354</u>
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**Gain on bargain purchase on acquisition of a subsidiary:**

Consideration transferred	402,191
Plus: Non-controlling interests	51,935
Less: Recognised amounts of net assets acquired	(519,354)

Gain on bargain purchase on acquisition of 90% equity interest in Changzhou Zhuohui	<u>(65,228)</u>
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**Net cash outflow arising on acquisition:**

Cash consideration paid	402,191
Less: Cash and cash equivalents balances acquired	(128,602)

	<u>273,589</u>
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*Changzhou Zhuohui New Energy Development Co., Ltd.,*

On 30 September 2021, the Shuifa Clean Energy Group acquired 100% interest in 遼寧鑫惠新能源有限公司 (Liaoning Xinhui New Energy Co., Ltd., “**Liaoning Xinhui**”) with nil consideration. Liaoning Xinhui is principally engaged research, construction and operation of solar power station in PRC. At the date of acquisition, Liaoning Xinhui has nil assets and liabilities and no cash inflow and outflow upon the acquisition.

**29. DISPOSALS OF COMPANIES TO RELATED PARTY****(i) Year ended 31 December 2020**

In January 2020, Shuifa Clean Energy acquired 47.5% equity interest in 淄博齊魯化學工業區熱力有限公司 (Zibo Qilu Chemical Industry Zone Thermal Co., Ltd., “Zibo Oilu”, a private limited liability company incorporated in the PRC) at a consideration of approximately RMB93,137,000. Zibo Oilu is principally engaged in the distribution of industrial-use pipeline steam for heating purposes to companies located inside the Qilu Chemical Industrial Park in Zibo City, Shandong Province.

In September 2020, Shuifa Clean Energy disposed of its entire equity interest in Zibo Oilu to 水發綠色能源有限公司 (Shuifa Green Energy Co., Ltd.), formerly known as 湖南水發興業綠色能源股份有限公司 (Hunan Shuifa Singyes Green Energy Co., Ltd.) (“**Hunan Shuifa Singyes**”), a wholly-owned subsidiary of China Shuifa Singyes Energy Holdings Limited) at a consideration of approximately RMB190,000,000 (the “**Zibo Oilu Disposal**”).

Prior to the Zibo Oilu Disposal, Jinan Linhua Investment Partnership (Limited Partnership) (a 3.5% shareholder of Zibo Qilu) entrusted irrevocably Hunan Shuifa Singyes at its sole discretion from time to time to exercise on behalf of the 3.5% voting rights attached to the equity interests held by itself.

Shuifa Clean Energy, China Shuifa Singyes Energy Holdings Limited, Hunan Shuifa Singyes and Zibo Qilu are under common control of Shuifa Group before and after the Zibo Oilu Disposal and thus, the transaction has been accounted for in the consolidated financial statements of the Shuifa Clean Energy Group as a business combination under common control based on the principles of merger accounting. Under the principles of merger accounting, the assets and liabilities of Zibo Qilu are derecognised from the Shuifa Clean Energy Group’s consolidated financial statements using the existing book values from the Shuifa Clean Energy Group’s perspective. Therefore, the difference between the consideration paid by Shuifa Clean Energy to acquire 47.5% equity interests in Zibo Qilu of approximately RMB93,137,000 and the cash consideration paid by Hunan Shuifa Singyes to Shuifa Clean Energy of RMB190,000,000 amounting to approximately RMB96,863,000 was credited to the capital reserves of the Shuifa Clean Energy Group.

**(ii) Year ended 31 December 2021**

On 30 September 2021, Hunan Shuifa Singyes entered into an equity transfer agreement with Shuifa Clean Energy, pursuant to which Shuifa Clean Energy disposed of 100% equity interests in 荷澤開發區水發光耀新能源有限公司 (Heze Development Zone Shuifaguangyao New Energy Co., Ltd., “**Heze Guangyao**”), 86% equity interests in 新泰市中穆新能源科技有限公司 (Xintai Zhongmu New Energy Technology Co., Ltd., “**Xintaishi Zhongmu**”) and 68% equity interests in Dongying Tianze (together with Heze Guangyao and Xintaishi Zhongmu, the “**Common Control Disposal Companies**”) to Hunan Shuifa Singyes, at cash considerations of RMB3,160,000, RMB49,020,000 and RMB51,000,000, respectively (the “**Common Control Disposals**”). The transaction was completed on 7 December 2021.

Shuifa Clean Energy, China Shuifa Singyes Energy Holdings Limited, Hunan Shuifa Singyes, Heze Guangyao, Xintai Zhongmu and Dongying Tianze are under common control of Shuifa Group both before and after the Common Control Disposals. Therefore, the transaction has been accounted for in the consolidated financial statements of the Shuifa Clean Energy Group as a business combination under common control based on the principles of merger accounting. Under the principles of merger accounting, the assets and liabilities of Heze Guangyao, Xintai Zhongmu and Dongying Tianze are derecognised from the Shuifa Clean Energy Group’s consolidated financial statements using the existing book values from the Shuifa Clean Energy Group’s perspective. Therefore, the difference between the consideration received and the net assets regarding the Common Control Disposal Companies disposal of (net of non-controlling interests of Heze Guangyao, Xintai Zhongmu and Dongying Tianze) of RMB22,321,000 was credited to the capital reserves of the Shuifa Clean Energy Group and the details of the transaction was as following:

RMB'000

**Consideration received:**

Cash received	402,191
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**Analysis of assets and liabilities over which control was lost:**

Property, plant and equipment	265,075
Trade and other receivables	161,027
Cash and cash equivalents	1,638
Borrowings	(77,215)
Trade and other payables	(245,000)

	105,525
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**Difference arising from the Common Control Disposals:**

Consideration received	103,180
Net assets disposed of	(105,525)
Non-controlling interests of Heze Guangyao, Xintai Zhongmu and Dongying Tianze	24,666

	22,321
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## Net cash outflow arising on Common Control Disposals:

Cash consideration received	103,180
Less: Bank balances and cash disposed of	(1,638)

	101,542
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## 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF SHUIFA CLEAN ENERGY

Details of the principal subsidiaries directly and indirectly held by Shuifa Clean Energy are set out below:

Name of subsidiary	Place of incorporation/ registration and business	Registered capital	Equity interest attributable to owners of Shuifa Clean Energy				At the date of this report %	Principal activities
			As at 31 December		As at 30 September			
			2019 %	2020 %	2021 %	2022 %		
新泰市中穆新能源科技有限公司 (Xintai Zhongmu New Energy Technology Co., Ltd.)	The PRC	RMB36,000,000	86	86	—	—	—	Research and development, construction, operation and management of solar power stations
荷澤開發區水發光耀新能源有限公司 (Heze Development Zone Shuifaguangyao New Energy Co., Ltd.)	The PRC	RMB1,000,000	100	100	—	—	—	Clean energy development, technical consultation, construction and operation
荷澤高新區水發晨旭新能源有限公司 (Heze High tech Zone Shuifa Chenxu New Energy Co., Ltd.)	The PRC	RMB1,000,000	100	100	100	100	100	Clean energy development, technical consultation, construction and operation
東營天澤新能源科技有限公司 (Dongying Tianze New Energy Technology Co., Ltd.) (Note)	The PRC	RMB60,000,000	68	68	—	—	—	New energy power station development, technical consultation, operation management
華能水發(大石橋)新能源有限公司 (Huaneng Shuifa (Dashiqiao) New Energy Co., Ltd.)	The PRC	RMB3,200,000	—	—	50	50	50	Wind farm development and power generation, transmission, supply (distribution) business
水發能源(大石橋)有限公司 (Shuifa Energy (Dashiqiao) Co., Ltd.)	The PRC	RMB1,000,000	—	—	50	50	50	New energy power station development, technical consultation, operation management

**APPENDIX III**

**ACCOUNTANTS' REPORT ON  
SHUIFA CLEAN ENERGY**

Name of subsidiary	Place of incorporation/ registration and business	Registered capital	Equity interest attributable to owners of Shuifa Clean Energy				At the date of this report	Principal activities
			As at 31 December		As at 30 September			
			2019 %	2020 %	2021 %	2022 %		
常州卓輝新能源開發有限公司 (Changzhou Zhuohui New Energy Development Co., Ltd.)	The PRC	RMB500,000,000	—	—	90	90	90	Investment, development, construction, operation and management of solar power plants
宜君縣天興新能源有限公司 (Yijun County Tianxing New Energy Co., Ltd.)	The PRC	RMB530,000,000	—	—	90	90	90	Investment, development, construction, operation and management of solar power plants
遼寧鑫惠新能源有限公司 (Liaoning Xinhui New Energy Co., Ltd.)	The PRC	RMB5,000,000	—	—	100	100	100	New energy power station development, technical consultation; operation management
遼寧合惠新能源有限公司 (Liaoning Hehui New Energy Co., Ltd.)	The PRC	RMB5,000,000	—	—	100	100	100	New energy power station development, technical consultation; operation management
遼寧誠惠新能源有限公司 (Liaoning Chenghui New Energy Co., Ltd.)	The PRC	RMB5,000,000	—	—	100	100	100	New energy power station development, technical consultation; operation management
遼寧華輝惠能新能源有限公司 (Liaoning Huahui Huineng New Energy Co., Ltd.)	The PRC	RMB5,000,000	—	—	100	100	100	New energy power station development technical consultation; operation management
遼寧華業輝能新能源有限公司 (Liaoning Huaye Huineng New Energy Co., Ltd.)	The PRC	RMB5,000,000	—	—	100	100	100	New energy power station development, technical consultation; operation management

Name of subsidiary	Place of incorporation/ registration and business	Registered capital	Equity interest attributable to owners of Shuifa Clean Energy				At the date of this report	Principal activities
			As at 31 December		As at 30 September			
			2019 %	2020 %	2021 %	2022 %		
遼寧城輝新能源有限公司 (Liaoning Chenghui New Energy Co., Ltd.)	The PRC	RMB5,000,000	—	—	100	100	100	New energy power station development, technical consultation; operation management
山東水發立達清潔能源有限公司 (Shandong Shuifa Lida Clean Energy Co., Ltd.)	The PRC	RMB35,625,000	—	—	95	80	80	Inactive
水發綠碳清潔能源(南通)有限公司 (Shuifa Green Carbon Clean Energy (Nantong) Co., Ltd.)	The PRC	RMB30,000,000	—	—	—	80	80	Inactive
水發清潔能源(萊州)有限公司 (Shuifa Clean Energy (Laizhou) Co., Ltd.)	The PRC	USD4,100,000	—	—	—	51	51	New energy power station development, technical consultation; operation management
水發清潔能源(福山)有限公司 (Shuifa Clean Energy (Fushan) Co., Ltd.)	The PRC	USD4,100,000	—	—	51	51	51	New energy power station development, technical consultation; operation management
水發能源(撫遠市)有限公司 (Shuifa Energy (Fuyuan City) Co., Ltd.)	The PRC	RMB1,000,000	—	—	90	90	90	Inactive
水發清潔能源(濰博)有限公司 (Shuifa Clean Energy (Zibo) Co., Ltd.)	The PRC	RMB1,000,000	—	—	90	90	90	Inactive
水發能源(長嶺縣)有限公司 (Shuifa Energy (Changling County) Co., Ltd.)	The PRC	RMB1,000,000	—	—	100	100	100	Inactive
水發清潔能源(松原)有限公司 (Shuifa Clean Energy (Songyuan) Co., Ltd.)	The PRC	RMB1,000,000	—	—	—	100	100	Inactive
水發清潔能源(營口)有限公司 (Shuifa Clean Energy (Yingkou) Co., Ltd.)	The PRC	RMB1,000,000	—	—	—	100	100	Inactive
水發清潔能源(綏濱)有限公司 (Shuifa Clean Energy (Suibin) Co., Ltd.)	The PRC	RMB1,000,000	—	—	100	100	100	Inactive

As at 31 December 2019 and 2020, certain of the subsidiaries of Shuifa Clean Energy were pledged to secured for borrowings of the Shuifa Clean Energy Group.



**31. EVENT AFTER THE REPORTING PERIOD**

There are no significant subsequent events subsequent to 30 September 2022.

**32. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of Shuifa Clean Energy have been prepared in respect of any period subsequent to 30 September 2022.

**I. MANAGEMENT DISCUSSION AND ANALYSIS ON SHUIFA ENERGY (TONGYU)**

*Set out below is the management discussion and analysis on Shuifa Energy (Tongyu) for the period from 28 January 2021 (date of establishment) to 31 December 2021 and the nine months ended 30 September 2022 (the “Reporting Period”). The following financial information is based on the accountants’ report of Shuifa Energy (Tongyu) as set out in Appendix II to this circular.*

**A. Overview**

Shuifa Energy (Tongyu) is a limited liability company established in the PRC. Shuifa Energy (Tongyu) is mainly engaged in the operations of electricity generation, transmission and supply.

**B. Operating results*****Revenue***

Shuifa Energy (Tongyu) generates revenue from sale of electricity.

- (a) With respect to the sale of electricity, Shuifa Energy (Tongyu) recorded revenue of RMB119,672,000 for the nine months ended 30 September 2022.

***Operating expenses***

The operating expenses of Shuifa Energy (Tongyu) primarily comprised administrative expenses.

Shuifa Energy (Tongyu) recorded operating expenses of RMB97,000 and RMB7,243,000 for the period from 28 January 2021 (date of establishment) to 31 December 2021, and the nine months ended 30 September 2022, respectively. The increase in operating expenses during the Reporting Period is in line with the development of Shuifa Energy (Tongyu).

***Profit (Loss) for the year***

Shuifa Energy (Tongyu) recorded a net loss of RMB138,000 for the period from 28 January 2021 (date of establishment) to 31 December 2021, and a net profit of RMB89,977,000 for the nine months ended 30 September 2022. The turnaround from loss to profit of Shuifa Energy (Tongyu) during the Reporting Period was attributable to the increase in revenue.

**C. Liquidity, Financial Resources and Capital Structure**

As at 31 December 2021, and 30 September 2022, Shuifa Energy (Tongyu) had total current assets of RMB1,650,376,000 and RMB537,344,000, respectively, which mainly comprised trade and other receivable, and cash and cash equivalents.

As at 31 December 2021, and 30 September 2022, Shuifa Energy (Tongyu) had total current liabilities of RMB63,106,000 and RMB174,650,000, respectively, which mainly comprised trades and other payables, other borrowings, and lease liabilities.

As at the end of the Reporting Period, the cash and bank balances of Shuifa Energy (Tongyu) were in the amount of RMB30,782,000.

Shuifa Energy (Tongyu) historically met its liquidity requirement through a combination of the cash flow generated from its daily operation and short-term and long-term borrowings. The primary liquidity requirements of Shuifa Energy (Tongyu) are to finance working capital, fund the payment of interest and principal due on its indebtedness and fund capital expenditures and growth and expansion of its operations.

As at 31 December 2021, and 30 September 2022, Shuifa Energy (Tongyu) had other borrowings of RMB1,200,000,000 and RMB2,400,000,000, respectively, and had effective interest rates ranging from approximately 4.7% to 5% per annum.

The long-term and short-term borrowings of Shuifa Energy (Tongyu) were denominated in RMB.

As at 31 December 2021, and 30 September 2022, the gearing ratio of Shuifa Energy (Tongyu) (defined as total liabilities divided by total assets) was approximately 77% and 80%, respectively.

There were no treasury policies of Shuifa Energy (Tongyu) as at the end of the Reporting Period.

**D. Foreign Exchange Exposure**

During the Reporting Period, Shuifa Energy (Tongyu) was not exposed to any material foreign currency risk as all of its business operation, transaction, assets and liabilities were denominated in Renminbi which is the functional currency of Shuifa Energy (Tongyu). There was no financial arrangement for hedging purpose in respect of Shuifa Energy (Tongyu) during the Reporting Period.

**E. Capital Commitment**

There was no capital commitment in Shuifa Energy (Tongyu) as at 30 September 2022.

**F. Pledge of Assets**

The assets of Shuifa Energy (Tongyu) used as pledge for borrowings included: (i) right-of-use-assets in the amount of RMB500,000,000 as at 31 December 2021, and RMB 493,333,000 as at 30 September 2022 respectively, and (ii) trade receivables in the amount of RMB37,011,000 as at 30 September 2022.

**G. Contingent Liabilities**

As at 30 September 2022, Shuifa Energy (Tongyu) did not have any contingent liabilities.

**H. Material Acquisitions and Disposals Significant Investments**

Shuifa Energy (Tongyu) did not have any material acquisitions and disposals and significant investments during the Reporting Period.

**I. Employee and Remuneration Policies**

During the period of 30 September 2022, the salaries and other benefits of Shuifa Energy (Tongyu) for its staff was around RMB1,335,000.

**J. Prospects**

Upon completion of the Acquisitions, Shuifa Energy (Tongyu) will continue to engage in the operations of electricity generation, transmission and supply. Save as disclosed in this circular, Shuifa Energy (Tongyu) has no specific future plan for material investments or capital assets as at the Latest Practicable Date.

Please refer to the accountants' report of Shuifa Energy (Tongyu) for the period from 28 January 2021 (date of establishment) to 31 December 2021 and for the nine months ended 30 September 2022 set out in Appendix II to this circular for further details of the financial information of Shuifa Energy (Tongyu).

**II. MANAGEMENT DISCUSSION AND ANALYSIS ON SHUIFA CLEAN ENERGY GROUP**

*Set out below is the management discussion and analysis on Shuifa Clean Energy for each of the three years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the “Reporting Period”). The following financial information is based on the accountants’ report of Shuifa Clean Energy as set out in Appendix III to this circular.*

**A. Overview**

Shuifa Clean Energy is a limited liability company established in the PRC. Shuifa Clean Energy and its subsidiaries (“**Shuifa Clean Energy Group**”) are mainly engaged in the business of sale of electricity.

**B. Operating results*****Revenue***

Shuifa Clean Energy Group generates revenue from two segments, namely (i) the sale of electricity; and (ii) the sale of products.

- (a) With respect to the sale of electricity segment, Shuifa Clean Energy Group recorded revenue of RMB41,499,000, RMB48,905,000, RMB37,397,000 and RMB171,649,000 for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively.
- (b) With respect to the sale of products segment, Shuifa Clean Energy Group recorded revenue of RMB5,864,000, RMB198,448,000, RMB858,032,000 and RMB585,141,000 for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively.

The continuous increase in revenue of Shuifa Clean Energy Group during the Reporting Period was primarily due to the demand for energy related products in the market during the Reporting Period.

***Operating expenses***

The operating expenses of Shuifa Clean Energy Group primarily comprised administrative expenses.

Shuifa Clean Energy Group recorded operating expenses of RMB4,425,000, RMB7,139,000, RMB7,301,000 and RMB5,946,000 for the years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022, respectively. The fluctuation of the operating expenses of Shuifa Clean Energy Group is in line with the changes in revenue during the Reporting Period.

***Other income, other gains and losses***

The other income, other gains and losses of Shuifa Clean Energy Group mainly included (i) gains on bargain purchase on acquisition of subsidiaries; (ii) the gains on disposal of plant and equipment; (iii) the gains on disposal of subsidiaries; (iv) the gains on disposal of associate; and (v) impairment for trade and other receivables.

Shuifa Clean Energy Group recorded other income, other gains and losses of RMB4,447,000, RMB130,000, RMB63,295,000 and RMB125,000 for the years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022, respectively.

***Net finance costs***

The net finance costs of Shuifa Clean Energy Group is calculated by deducting finance income from finance costs. The finance income of Shuifa Clean Energy Group primarily consisted of interest received from bank, and the finance costs of Shuifa Clean Energy primarily consisted of interest on (i) bank and other borrowings; and (ii) lease liabilities and other finance charges.

Shuifa Clean Energy Group recorded net finance costs of RMB42,095,000, RMB36,753,000, RMB20,337,000 and RMB37,055,000 for the years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022, respectively.

***Profit (loss) for the year***

Shuifa Clean Energy Group recorded a net loss of RMB14,087,000 and RMB26,523,000 for the year ended 31 December 2019 and 2020, respectively, and recorded net profits of RMB53,219,000 and RMB74,008,000 for the year ended 31 December 2021, and the nine months ended 30 September 2022, respectively. The turnaround from loss to profit of Shuifa Clean Energy Group during the Reporting Period was primarily due to the increase in the gross profit throughout the Reporting period.

**C. Liquidity, Financial Resources and Capital Structure**

As at 31 December 2019, 2020 and 2021, and 30 September 2022, Shuifa Clean Energy Group had total current assets of RMB147,946,000, RMB174,841,000, RMB707,383,000 and RMB472,919,000, respectively, which mainly comprised trade and other receivables, and cash and cash equivalents.

As at 31 December 2019, 2020 and 2021, and 30 June 2022, Shuifa Clean Energy Group had total current liabilities of RMB160,910,000, RMB111,433,000, RMB1,025,915,000 and RMB556,326,000, respectively, which mainly comprised borrowings, trade and other payables and contract liabilities.

As at the end of the Reporting Period, the cash and bank balances of Shuifa Clean Energy Group were in the amount of RMB126,822,000.

Shuifa Clean Energy Group historically met its liquidity requirement through a combination of the cash flow generated from its daily operation and short-term and long-term borrowings. The primary liquidity requirements of Shuifa Clean Energy Group are to finance working capital, fund the payment of interest and principal due on its indebtedness and fund capital expenditures and growth and expansion of its operations.

As at 31 December 2021 and 30 September 2022, Shuifa Clean Energy Group had bank and other borrowings of RMB965,000,000 and RMB929,000,000, respectively.

The long-term and short-term borrowings of Shuifa Clean Energy Group were in the amount of RMB929,000,000 as at 30 September 2022.

As at 31 December 2019, 2020 and 2021, and 30 September 2022, the gearing ratio of Shuifa Clean Energy Group (defined as total liabilities divided by total assets) was approximately 98%, 77%, 91% and 84%, respectively.

There were no treasury policies in Shuifa Clean Energy Group as at the end of the Reporting Period.

**D. Foreign Exchange Exposure**

During the Reporting Period, Shuifa Clean Energy was not exposed to any material foreign currency risk as all of its business operation, transaction, assets and liabilities were denominated in Renminbi which is the functional currency of Shuifa Clean Energy. There was no financial arrangement for hedging purpose in respect of Shuifa Clean Energy Group during the Reporting Period.

**E. Capital Commitment**

There was no capital commitment in Shuifa Clean Energy Group as at 30 September 2022.

**F. Pledge of assets**

The assets of Shuifa Clean Energy Group used as pledge for borrowings included: (i) right-of-use-assets in the amount of RMB1,000,000 and RMB987,000 as at 31 December 2021, and 30 September 2022 respectively, (ii) trade receivables in the amount of RMB78,367,000 and RMB 109,403,000 as at 31 December 2019 and 2020 respectively.

**G. Contingent Liabilities**

As at 30 September 2022, Shuifa Clean Energy Group did not have any contingent liabilities.

**H. Material Acquisitions and Disposals or Significant Investments**

On 29 April 2019, the Shuifa Clean Energy Group acquired 68% interest in Dongying Tianze New Energy Technology Co., Ltd. (東營天澤新能源科技有限公司) (“**Dongying Tianze**”) with a consideration of RMB12,186,000. Dongying Tianze is principally engaged in the distribution logistics business and was acquired with the objective of improving the Shuifa Clean Energy Group’s distribution logistics. The acquisition has been accounted for as acquisition of business using the acquisition method.

On 29 September 2021, the Shuifa Clean Energy Group acquired 90% interest in 常州卓輝新能源開發有限公司 (Changzhou Zhuohui New Energy Development Co., Ltd., “**Changzhou Zhuohui**”) with a consideration of RMB402,191,000. Changzhou Zhuohui is principally engaged in research, construction and operation of solar power station in PRC. The acquisition has been accounted for as acquisition of business using the acquisition method.

On 30 September 2021, the Shuifa Clean Energy Group acquired 100% interest in 遼寧鑫惠新能源有限公司 (Liaoning Xinhui New Energy Co., Ltd., “**Liaoning Xinhui**”) with nil consideration. Liaoning Xinhui is principally engaged in research, construction and operation of solar power stations in PRC. At the date of acquisition, the company has nil assets and liabilities and no cash inflow and outflow upon the acquisition.



In 30 September 2021, Shuifa Clean Energy disposed of certain subsidiaries during the year (i) 68% of the equity interest in Dongying Tianze, (ii) 86% of the equity interest in 新泰市中穆新能源科技有限公司 (Xintai Zhongmu New Energy Technology Co., Ltd.) (“**Xintaishi Zhongmu**”) and (iii) 100% of the equity interest in 荷澤開發區水發光耀新能源有限公司 (Heze Development Zone Shuifaguangyao New Energy Co., Ltd.) (“**Shuifa Guangyao**”) at an aggregate consideration of RMB103,180,000. Thus, the corresponding gain on disposal of subsidiaries of approximately RMB22,321,000 was credited in the consolidated statements of profit or loss for the year ended 31 December 2021.

#### **I. Employee and Remuneration Policies**

During the period of 30 September 2022, the salaries and other benefits of Shuifa Clean Energy Group for its staff was around RMB794,000.

#### **J. Prospects**

Upon completion of the Acquisitions, Shuifa Clean Energy Group will continue to engage in the operations of electricity generation, transmission and supply. Save as disclosed in this circular, Shuifa Clean Energy Group has no specific future plan for material investments or capital assets as at the Latest Practicable Date.

Please refer to the accountants’ report of Shuifa Clean Energy for the three years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2022 set out in Appendix III to this circular for further details of the financial information of Shuifa Clean Energy.

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### A. INTRODUCTION

#### 1. Proposed acquisition of Shuifa Energy (Tongyu)

On 9 December 2022 (after trading hours), Hunan Shuifa Singyes, a wholly-owned subsidiary of the Company, entered into Share Transfer Agreements with each of Shuifa Energy and Shuifa Fengyuan Energy and Shuifa Energy (Tongyu), whereby Hunan Shuifa Singyes has conditionally agreed to acquire and Shuifa Energy and Shuifa Fengyuan Energy have conditionally agreed to sell their respective 24% and 16% of the equity interest in Shuifa Energy (Tongyu) at the aggregate cash consideration of RMB491,299,700 (equivalent to approximately HK\$555,168,661).

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

#### 2. Proposed acquisition of Shuifa Clean Energy

On 9 December 2022 (after trading hours), Hunan Shuifa Singyes entered into (i) the Share Subscription Agreement with Shuifa Clean Energy, pursuant to which Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at the aggregate cash subscription price of RMB503,774,500 (equivalent to approximately HK\$569,265,185); and (ii) the Supplemental Share Subscription Agreement with Shuifa Energy with respect to the undertakings regarding the Share Subscription.

As at 9 December 2022, Shuifa Clean Energy is owned as to approximately 98.55% and 1.45% by Shuifa Energy, a controlling shareholder of the Company, and Linre New Energy, respectively. Upon completion of the Share Subscription, (i) Hunan Shuifa Singyes, Shuifa Energy and Linre New Energy will hold 51%, 48.29% and 0.71% of the total equity interest (on an enlarged basis) in Shuifa Clean Energy, respectively; and (ii) Shuifa Clean Energy will become a non-wholly owned subsidiary of the Company. Accordingly, the financial results of Shuifa Clean Energy will be consolidated into the Company's consolidated financial statements upon completion of the Share Subscription.

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### B. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) which has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisitions as if the Acquisitions had been completed on 30 June 2022 in the following scenarios:

- I. The acquisition of Shuifa Energy (Tongyu)
- II. The acquisition of Shuifa Clean Energy
- III. The acquisitions of both Shuifa Energy (Tongyu) and Shuifa Clean Energy

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published interim report of the Company for the six months ended 30 June 2022.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 which has been extracted from the Group’s published unaudited interim report for the six months ended 30 June 2022 issued on 22 August 2022; and (ii) the consolidated statements of assets and liabilities of Shuifa Energy (Tongyu) and Shuifa Clean Energy as at 30 September 2022 which are extracted from the Accountants’ Report on Shuifa Energy (Tongyu) and Accountants’ Report on Shuifa Clean Energy in Appendix II and Appendix III to this Circular, respectively after making pro forma adjustments relating to the Acquisitions that are (i) directly attributable to the Acquisitions; and (ii) factually supportable as if the Acquisitions had been undertaken as at 30 June 2022.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 or any future dates. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the consolidated statement of assets and liabilities of the Enlarged Group that would have been attained had the Acquisitions been completed as at 30 June 2022, nor purport to predict the future consolidated statement of assets and liabilities of the Enlarged Group.

## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

### I. The acquisition of Shuifa Energy (Tongyu)

#### UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AND SHUIFA ENERGY (TONGYU)

	Pro forma adjustments					Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000 Note 1	Statement of assets and liabilities of Shuifa Energy (Tongyu) as at 30 September 2022 RMB'000 Note 2	Acquisition of 40% equity interest in Shuifa Energy (Tongyu) by cash		Other pro forma adjustments RMB'000 Note 5	
			RMB'000 Note 4(a)	RMB'000 Note 4(a)		RMB'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	5,166,790	2,545,876	–	–	–	7,712,666
Investment properties	334,797	–	–	–	–	334,797
Right-of-use assets	275,486	493,333	–	–	–	768,819
Intangible assets	103,842	–	–	–	–	103,842
Prepayments	177,098	–	–	–	–	177,098
Investments accounted for using equity method	1,673	–	491,300	(491,300)	–	1,673
Deferred tax assets	308,877	–	–	–	–	308,877
Equity investments designated at fair value through other comprehensive income	8,614	–	–	–	–	8,614
<b>Total non-current assets</b>	<b>6,377,177</b>	<b>3,039,209</b>	<b>491,300</b>	<b>(491,300)</b>	<b>–</b>	<b>9,416,386</b>
<b>Current assets</b>						
Inventories	81,223	–	–	–	–	81,223
Contract assets	4,151,414	–	–	–	–	4,151,414
Trade and bills receivables	3,966,767	506,562	–	–	–	4,473,329
Prepayments, other receivables and other assets	970,495	–	–	–	–	970,495
Pledged deposits	73,493	–	–	–	–	73,493
Cash and cash equivalents	839,151	30,782	(196,520)	–	–	673,413
<b>Total current assets</b>	<b>10,082,543</b>	<b>537,344</b>	<b>(196,520)</b>	<b>–</b>	<b>–</b>	<b>10,423,367</b>
<b>Total assets</b>	<b>16,459,720</b>	<b>3,576,553</b>	<b>294,780</b>	<b>(491,300)</b>	<b>–</b>	<b>19,839,753</b>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE ENLARGED GROUP**

	Pro forma adjustments					Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000 Note 1	Statement of assets and liabilities of Shuifa Energy (Tongyu) as at 30 September 2022 RMB'000 Note 2	Acquisition of 40% equity interest in Shuifa Energy (Tongyu) by cash RMB'000 Note 4(a)		Other pro forma adjustments RMB'000 Note 5	
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings	3,881,668	2,250,000	–	–	–	6,131,668
Deferred tax liabilities	109,480	–	–	–	–	109,480
Lease liabilities	22,143	450,064	–	–	–	472,207
Other payables	–	–	98,260	–	–	98,260
Deferred income	173,332	–	–	–	–	173,332
<b>Total non-current liabilities</b>	<b>4,186,623</b>	<b>2,700,064</b>	<b>98,260</b>	<b>–</b>	<b>–</b>	<b>6,984,947</b>
<b>Current liabilities</b>						
Senior notes	930,091	–	–	–	–	930,091
Trade and bills payables	2,726,475	61	–	–	–	2,726,536
Other payables and accruals	1,933,325	–	196,520	–	5,000	2,134,845
Contract liabilities	222,074	–	–	–	–	222,074
Borrowings	1,054,494	150,000	–	–	–	1,204,494
Income tax payable	173,299	–	–	–	–	173,299
Lease liabilities	4,462	24,589	–	–	–	29,051
<b>Total current liabilities</b>	<b>7,044,220</b>	<b>174,650</b>	<b>196,520</b>	<b>–</b>	<b>5,000</b>	<b>7,420,390</b>
<b>Total liabilities</b>	<b>11,230,843</b>	<b>2,874,714</b>	<b>294,780</b>	<b>–</b>	<b>5,000</b>	<b>14,405,337</b>

## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

### II. The acquisition of Shuifa Clean Energy

#### UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP AND SHUIFA CLEAN ENERGY

	Pro forma adjustments					Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000 Note 5	
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000 Note 1	Consolidated statement of assets and liabilities of Shuifa Clean Energy as at 30 September 2022 RMB'000 Note 3	Consideration paid for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	Consideration received for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	Acquisition of 51% equity interest in Shuifa Clean Energy through the Share Subscription RMB'000 Note 4(b)		Other pro forma adjustments RMB'000 Note 5
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	5,166,790	1,123,105	–	–	–	–	6,289,895
Investment properties	334,797	–	–	–	–	–	334,797
Right-of-use assets	275,486	312,186	–	–	–	–	587,672
Intangible assets	103,842	–	–	–	–	–	103,842
Prepayments, other receivables and other assets	177,098	–	–	398,162	(398,162)	–	177,098
Investments accounted for using equity method	1,673	–	503,775	–	(503,775)	–	1,673
Deferred tax assets	308,877	–	–	–	–	–	308,877
Equity investments designated at fair value through other comprehensive income	8,614	–	–	–	–	–	8,614
<b>Total non-current assets</b>	<b>6,377,177</b>	<b>1,435,291</b>	<b>503,775</b>	<b>398,162</b>	<b>(901,937)</b>	<b>–</b>	<b>7,812,468</b>
<b>Current assets</b>							
Inventories	81,223	–	–	–	–	–	81,223
Contract assets	4,151,414	–	–	–	–	–	4,151,414
Trade and bills receivables	3,966,767	346,097	–	–	–	–	4,312,864
Prepayments, other receivables and other assets	970,495	–	–	–	–	–	970,495
Pledged deposits	73,493	–	–	–	–	–	73,493
Cash and cash equivalents	839,151	126,822	(105,613)	105,613	–	–	965,973
<b>Total current assets</b>	<b>10,082,543</b>	<b>472,919</b>	<b>(105,613)</b>	<b>105,613</b>	<b>–</b>	<b>–</b>	<b>10,555,462</b>
<b>Total assets</b>	<b>16,459,720</b>	<b>1,908,210</b>	<b>398,162</b>	<b>503,775</b>	<b>(901,937)</b>	<b>–</b>	<b>18,367,930</b>

## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments					Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000 Note 5
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000 Note 1	Consolidated statement of assets and liabilities of Shuifa Clean Energy as at 30 September 2022 RMB'000 Note 3	Consideration paid for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	Consideration received for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	Acquisition of 51% equity interest in Shuifa Clean Energy through the Share Subscription RMB'000 Note 4(b)	
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings	3,881,668	904,000	-	-	-	4,785,668
Corporate bonds	-	81,500	-	-	-	81,500
Deferred tax liabilities	109,480	-	-	-	-	109,480
Lease liabilities	22,143	65,317	-	-	-	87,460
Other payables	-	-	398,162	-	(398,162)	-
Deferred income	173,332	-	-	-	-	173,332
<b>Total non-current liabilities</b>	<b>4,186,623</b>	<b>1,050,817</b>	<b>398,162</b>	<b>-</b>	<b>(398,162)</b>	<b>5,237,440</b>
<b>Current liabilities</b>						
Senior notes	930,091	-	-	-	-	930,091
Trade and bills payables	2,726,475	502,997	-	-	-	3,229,472
Other payables and accruals	1,933,325	-	-	-	5,000	1,938,325
Contract liabilities	222,074	8,460	-	-	-	230,534
Borrowings	1,054,494	25,000	-	-	-	1,079,494
Income tax payable	173,299	-	-	-	-	173,299
Lease liabilities	4,462	19,869	-	-	-	24,331
<b>Total current liabilities</b>	<b>7,044,220</b>	<b>556,326</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>7,605,546</b>
<b>Total liabilities</b>	<b>11,230,843</b>	<b>1,607,143</b>	<b>398,162</b>	<b>-</b>	<b>(398,162)</b>	<b>12,842,986</b>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

**III. The acquisitions of both Shuifa Energy (Tongyu) and Shuifa Clean Energy**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

	Pro forma adjustments						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000 Note 1	Statement of assets and liabilities of Shuifa Energy (Tongyu) as at 30 September 2022 RMB'000 Note 2	Consolidated statement of assets and liabilities of Shuifa Clean Energy as at 30 September 2022 RMB'000 Note 3	Acquisition of 40% equity interest in Shuifa Energy (Tongyu) by cash RMB'000 Note 4(a)	Consideration paid for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	Consideration received for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property, plant and equipment	5,166,790	2,545,876	1,123,105	-	-	-	8,835,771
Investment properties	334,797	-	-	-	-	-	334,797
Right-of-use assets	275,486	493,333	312,186	-	-	-	1,081,005
Intangible assets	103,842	-	-	-	-	-	103,842
Prepayments, other receivables and other assets	177,098	-	-	-	-	398,162	177,098
Investments accounted for using equity method	1,673	-	-	491,300	503,775	(503,775)	1,673
Deferred tax assets	308,877	-	-	-	-	-	308,877
Equity investments designated at fair value through other comprehensive income	8,614	-	-	-	-	-	8,614
<b>Total non-current assets</b>	<b>6,377,177</b>	<b>3,039,209</b>	<b>1,435,291</b>	<b>491,300</b>	<b>503,775</b>	<b>398,162</b>	<b>10,851,677</b>
				<b>(491,300)</b>		<b>(901,937)</b>	



## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments							Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000 Note 1	Statement of assets and liabilities of Shuifa Energy (Tongyu) as at 30 September 2022 RMB'000 Note 2	Consolidated statement of assets and liabilities of Shuifa Clean Energy as at 30 September 2022 RMB'000 Note 3	Acquisition of 40% equity interest in Shuifa Energy (Tongyu) by cash RMB'000 Note 4(a)	Consideration paid for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	Consideration received for the share subscription in Shuifa Clean Energy RMB'000 Note 4(b)	Acquisition of 51% equity interest in Shuifa Clean Energy through the Share Subscription RMB'000 Note 4(b)	
<b>Current assets</b>								
Inventories	81,223	-	-	-	-	-	-	81,223
Contract assets	4,151,414	-	-	-	-	-	-	4,151,414
Trade and bills receivables	3,966,767	506,562	346,097	-	-	-	-	4,819,426
Prepayments, other receivables and other assets	970,495	-	-	-	-	-	-	970,495
Pledged deposits	73,493	-	-	-	-	-	-	73,493
Cash and cash equivalents	839,151	30,782	126,822	(196,520)	(105,613)	105,613	-	800,235
<b>Total current assets</b>	<u>10,082,543</u>	<u>537,344</u>	<u>472,919</u>	<u>(196,520)</u>	<u>(105,613)</u>	<u>105,613</u>	<u>-</u>	<u>10,896,286</u>
<b>Total assets</b>	<u>16,459,720</u>	<u>3,576,553</u>	<u>1,908,210</u>	<u>294,780</u>	<u>(491,300)</u>	<u>503,775</u>	<u>(901,937)</u>	<u>21,747,963</u>

## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

		Pro forma adjustments						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000							
Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000	Note 1	Statement of assets and liabilities of Shuifa Energy (Tongyu) as at 30 September 2022 RMB'000	Note 2	Consolidated statement of assets and liabilities of Shuifa Clean Energy as at 30 September 2022 RMB'000	Note 3	Acquisition of 40% equity interest in Shuifa Energy (Tongyu) by cash RMB'000	Note 4(a)	Consideration paid for the share subscription in Shuifa Clean Energy RMB'000	Note 4(b)	Consideration received for the share subscription in Shuifa Clean Energy RMB'000	Note 4(b)	Acquisition of 51% equity interest in Shuifa Clean Energy through the Share Subscription RMB'000	Note 4(b)	Other pro forma adjustments RMB'000	Note 5
<b>LIABILITIES</b>															
<b>Non-current liabilities</b>															
Borrowings	3,881,668	2,250,000		904,000		-		-		-		-		-	7,035,668
Corporate bonds	-	-		81,500		-		-		-		-		-	81,500
Deferred tax liabilities	109,480	-		-		-		-		-		-		-	109,480
Lease liabilities	22,143	450,064		65,317		-		-		-		-		-	537,524
Other payables	-	-		-		98,260		398,162		-		(398,162)		-	98,260
Deferred income	173,332	-		-		-		-		-		-		-	173,332
<b>Total non-current liabilities</b>	<b>4,186,623</b>	<b>2,700,064</b>		<b>1,050,817</b>		<b>98,260</b>		<b>398,162</b>		<b>-</b>		<b>(398,162)</b>		<b>-</b>	<b>8,035,764</b>

**APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE ENLARGED GROUP**

	Pro forma adjustments						Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022 RMB'000
	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 RMB'000 <i>Note 1</i>	Statement of assets and liabilities of Shuifa Energy (Tongyu) as at 30 September 2022 RMB'000 <i>Note 2</i>	Consolidated statement of assets and liabilities of Shuifa Clean Energy as at 30 September 2022 RMB'000 <i>Note 3</i>	Acquisition of 40% equity interest in Shuifa Energy (Tongyu) by cash RMB'000 <i>Note 4(a)</i>	Consideration paid for the share subscription in Shuifa Clean Energy RMB'000 <i>Note 4(b)</i>	Consideration received for the share subscription in Shuifa Clean Energy RMB'000 <i>Note 4(b)</i>	
<b>Current liabilities</b>							
Senior notes	930,091	-	-	-	-	-	930,091
Trade and bills payables	2,726,475	61	502,997	-	-	-	3,229,533
Other payables and accruals	1,933,325	-	-	196,520	-	-	2,139,845
Contract liabilities	222,074	-	8,460	-	-	-	230,534
Borrowings	1,054,494	150,000	25,000	-	-	-	1,229,494
Corporate bonds	-	-	-	-	-	-	-
Income tax payable	173,299	-	-	-	-	-	173,299
Lease liabilities	4,462	24,589	19,869	-	-	-	48,920
<b>Total current liabilities</b>	<b>7,044,220</b>	<b>174,650</b>	<b>556,326</b>	<b>196,520</b>	<b>-</b>	<b>-</b>	<b>7,981,716</b>
<b>Total liabilities</b>	<b>11,230,843</b>	<b>2,874,714</b>	<b>1,607,143</b>	<b>294,780</b>	<b>398,162</b>	<b>(398,162)</b>	<b>16,017,480</b>

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### Notes to the Unaudited Pro Forma Financial Information

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 as set out in the Company's published unaudited interim report for the six months ended 30 June 2022 issued on 22 August 2022.
2. The amounts are extracted from the statement of financial position of Shuifa Energy (Tongyu) as at 30 September 2022 as set out in the Accountants' Report on Shuifa Energy (Tongyu) in Appendix II to this Circular.
3. The amounts are extracted from the consolidated statement of financial position of Shuifa Clean Energy as at 30 September 2022 as set out in the Accountants' Report on Shuifa Clean Energy in Appendix III to this Circular.
4. Prior to the Acquisitions, the majority of the equity interests in the Company, Shuifa Energy (Tongyu) and Shuifa Clean Energy are ultimately held by Shuifa Group. Thus, for the purposes of the preparation of the Unaudited Pro Forma Financial Information, the Directors consider that the Acquisitions should be considered as a business combination of entities under Shuifa Group's common control because the Company, Shuifa Energy (Tongyu) and Shuifa Clean Energy are continued to be ultimately controlled by Shuifa Group before and after the Acquisitions.

The Acquisitions of Shuifa Energy (Tongyu) and Shuifa Clean Energy are accounted for with reference to the principals of merger accounting as prescribed in Accounting Guideline No. 5 (revised). – “Merger Accounting for Common Control Combinations” issued by the HKICPA. Thus, subsidiaries acquired through a business combination under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party.

The net assets of the combining entity or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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The differences between the net assets of Shuifa Energy (Tongyu) and Shuifa Clean Energy and the amounts of the considerations to be payable by the Company for the acquisition of Shuifa Energy (Tongyu) and Shuifa Clean Energy are adjusted to capital reserve, if any, and details of which are as following:

**(a) Proposed acquisition of Shuifa Energy (Tongyu)**

Details of the proposed acquisition of Shuifa Energy (Tongyu) are as following:

	<i>RMB '000</i>
Net assets of Shuifa Energy (Tongyu) as at 30 September 2022	701,839
Net assets of Shuifa Energy (Tongyu) attributable to:	
– Owner of the Company on 40% equity interest in Shuifa Energy (Tongyu)	280,736 (A)
– Non-controlling interests on 60% equity interest in Shuifa Energy (Tongyu)	421,103
	701,839
Cash consideration for the acquisition of 40% equity interest in Shuifa Energy (Tongyu)	491,300 (B)
Difference between the cash consideration payable and 40% equity interest in Shuifa Energy (Tongyu) attributable to owners of the Company which has been charged to the capital reserve of the Company	210,564 (B-A)

The subject matter of the share transfer under Share Transfer Agreement I and II are 40% equity interest in Shuifa Energy (Tongyu) held by the Shuifa Energy and the Shuifa Fengyuan Energy. The consideration payable by Hunan Shuifa Singyes to Shuifa Energy and Shuifa Fengyuan Energy for Share Transfer is RMB294,780,000 and RMB196,520,000, which shall be payable by wire transfer by Hunan Shuifa Singyes to Shuifa Energy and Shuifa Fengyuan Energy in three instalments.

Within 10 business days after all Share Transfer are being satisfied, Hunan Shuifa Singyes will pay the first transaction price to Shuifa Energy and Shuifa Fengyuan Energy. The first instalment price is 40% of the consideration of Share Transfer, which is RMB117,912,000 and RMB78,608,000. Immediately upon Completion of the Share Transfers, Shuifa Energy (Tongyu) will be owned by Hunan Shuifa Singyes as to 40% and the board of Directors of Shuifa Energy (Tongyu) will be controlled by Hunan Shuifa Singyes.

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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Hunan Shuifa Singyes will pay the second transaction price to Shuifa Energy and Shuifa Fengyuan Energy which is RMB117,912,000 and RMB78,608,000 within six months after the date of completion of registration of the change of market entities, which will be paid in year 2023.

Hunan Shuifa Singyes will pay the last transaction price to Shuifa Energy and Shuifa Fengyuan Energy which is RMB58,956,000 and RMB39,304,000 on 31 March 2024 (or such other date as may be agreed in writing between Hunan Shuifa Singyes and Shuifa Energy).

**(b) Proposed acquisition of Shuifa Clean Energy**

Details of the proposed acquisition of Shuifa Clean Energy are as following:

	<i>RMB'000</i>
Net assets of Shuifa Clean Energy as at 30 September 2022	301,067 (C)
– Non-controlling interests in Shuifa Clean Energy	82,909 (D)
Equity attributable to owners of Shuifa Clean Energy as at 30 September 2022	218,158 (C-D)
Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at the aggregate cash subscription price of RMB503,774,500	503,775
Net assets of Shuifa Clean Energy subsequent to the completion of the Share Subscription	721,933
Net assets of Shuifa Clean Energy subsequent to the completion of the Share Subscription attributable to:	
– Owner of the Company on 51% equity interest in Shuifa Clean Energy	368,186 (E)
– Non-controlling interests on 49% equity interest in Shuifa Clean Energy	353,747
	721,933
Cash consideration for the Share Subscription in Shuifa Clean Energy	503,775 (F)
Difference between the cash consideration payable and 51% equity interest in Shuifa Clean Energy attributable to owners of the Company which has been charged to the capital reserve of the Company	135,589 (F-E)

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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Pursuant to the Share Subscription Agreement, Hunan Shuifa Singyes has agreed to subscribe for 105,613,100 shares of Shuifa Clean Energy at an aggregate subscription price of RMB503,774,500.

Subject to the satisfaction of the conditions precedent set out in the Share Subscription Agreement, by 31 December 2022 (or at any later date as agreed by both parties), RMB105,613,100 will be paid as paid-up capital of Shuifa Clean Energy. Immediately upon Completion of the Share Subscription, Hunan Shuifa Singyes will hold 51% of the total equity interest (on an enlarged basis) in Shuifa Clean Energy and Shuifa Clean Energy will become a non-wholly owned subsidiary of the Company.

RMB398,161,400 shall be paid on 31 December 2025 (or such other date as may be agreed in writing by Hunan Shuifa Singyes and Shuifa Clean Energy) (which can be paid in advance of the due date by written confirmation from both parties).

5. The adjustment represents the total estimated transaction costs of RMB10 million, which consists of RMB5 million payable by Shuifa Energy (Tongyu) and RMB5 million payable by Shuifa Clean Energy in connection with the Acquisitions. The costs are assumed to be paid within one year after the completion of the Acquisitions.
6. Apart from the above, no adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group or the Shuifa Energy (Tongyu) and Shuifa Clean Energy entered into subsequent to 30 June 2022 or 30 September 2022 respectively.

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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*The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*



羅兵咸永道

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Shuifa Singyes Energy Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Shuifa Singyes Energy Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), Shuifa Energy (Tongyu County) Co., Ltd. (“**Shuifa Energy (Tongyu)**”), and Shuifa Clean Energy Co., Ltd. and its subsidiaries (“**Shuifa Clean Energy**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages 218 to 231 of the Company’s circular dated 28 February 2023, in connection with the proposed acquisitions of 40% equity interest in Shuifa Energy (Tongyu) and 51% equity interest in Shuifa Clean Energy (the “**Transactions**”) by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 218 to 231 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transactions on the Group’s financial position as at 30 June 2022 as if the Transactions had taken place at 30 June 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s interim financial information for the period ended 30 June 2022 set out in the interim report, on which a review report has been published.

#### **Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).



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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control (HKSQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions at 30 June 2022 would have been as presented.

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## APPENDIX V UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28 February 2023

*The following is the text of a valuation report prepared for the purpose of incorporation in this circular from the Valuer, in connection with its valuation as of 30 September 2022 of the 100% interest of Shuifa Energy (Tongyu County) Co., Ltd.*

**The Directors**

China Shuifa Singyes Energy Holdings Limited  
Unit 3108, 31/F China Merchants Tower,  
Shun Tak Centre  
168-200 Connaught Road Central,  
Hong Kong

28 February 2023

Dear Sirs

**VALUATION OF 100% EQUITY INTEREST IN SHUIFA ENERGY (TONGYU COUNTY) CO., LTD. (水發能源(通榆縣)有限公司)**

In accordance with your instructions, we have undertaken a valuation on behalf of China Shuifa Singyes Energy Holdings Limited (“**China Shuifa**” or the “**Client**”) to determine the fair value of 100% equity interest of Shuifa Energy (Tongyu County) Co., Ltd. (the “**Target Company**”) as of 30 September 2022 (the “**Valuation Date**”) in relation to the acquisition of the Target Company (“**Acquisition**”) by Hunan Shuifa Singyes Green Energy Co., Ltd.

The valuation will be used as reference on the circular dated 28 February 2023 (the “**Circular**”) in regard to the Acquisition. The valuation and findings in this report will be used for the abovementioned purpose only.

**Basis of Valuation**

Our valuation analysis was carried out on a fair value basis which, according to Hong Kong Financial Reporting Standard, is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)”.

We have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. Our valuation was performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

**Sources of Information**

Our valuation analysis is based on our discussion with the management of the Client during the course of our engagement and we have considered, reviewed and relied on the information provided and the publicly available sources. Major sources of information include the following:

- Client’s announcement in relation to the acquisition of the Target Company dated 9 December 2022 (“**Announcement**”);
- Client’s announcement relating to the memorandum of understanding in relation to the possible acquisition of the Target Company dated 24 May 2022;
- Share transfer agreement entered between Shuifa Energy Group Co., Ltd. (水發能源集團有限公司) (“**Shuifa Energy Group**”) and Hunan Shuifa Singyes Green Energy Co., Ltd. (湖南水發興業綠色能源股份有限公司) (“**Hunan Shuifa**”) (“**STA 1**”);
- Share transfer agreement entered between Shuifa Fengyuan Energy Co., Ltd. (水發豐遠能源有限公司) (“**Shuifa Fengyuan**”) and Hunan Shuifa (“**STA 2**”);
- Accountants’ report the Target Company as of the Valuation Date (“**Accountants’ Report**”);
- Audited financial statements of the Target Company as of 31 December 2021;
- Draft due diligence report prepared by Beijing DHH Law Firm (“**DD Report**”);
- Group chart for the Target Company; and
- Bloomberg database.

**China Shuifa**

China Shuifa, a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, is a professional renewable energy and green construction solution provider. Its principal businesses are the design and management of the operation and maintenance of curtain wall, green building and renewable energy projects, including building integrated photovoltaic, distributable and concentrated photovoltaic projects and wind power projects.

**Target Company**

The Target Company was established on 28 January, 2021 with a registered capital of RMB 800 million and was owned as to 60% by Shuifa Energy Group and 40% by Shuifa Fengyuan. Shuifa Energy Group is the controlling shareholder of China Shuifa, indirectly holding approximately 66.92% of the total issued share capital of China Shuifa. It is a wholly owned subsidiary of Shuifa Group Co., Ltd. (水發集團有限公司) (“**Shuifa Group**”) which is a state-owned enterprise established in the PRC.

The Target Company is principally engaging in the business of wind power generation and electricity sales. It has a wind power station with an installed capacity of 500MW and is located in in Tongyu County, Baicheng City, Jilin Province with an operation period of 20 years (“**Wind Farm Project**”). Electricity generated will be sent to the Shandong power grid for consumption.

According to the DD Report, the Wind Farm Project started grid-connected operation in March 2022 and was operating at full capacity in August 2022. The feed-in tariff was RMB0.30852 per kilowatt hours (kWh).

According to the STA 1, Hunan Shuifa, an indirectly wholly-owned subsidiary of China Shuifa, agreed to purchase and Shuifa Energy Group agreed to sell 24% of the issued share capital of the Target Company at a consideration of RMB294,779,800, which shall be payable by wire transfer by Hunan Shuifa to Shuifa Energy Group.

According to the STA 2, Hunan Shuifa agreed to purchase and Shuifa Fengyuan agreed to sell 16% of the issued share capital of the Target Company at a consideration of RMB196,519,900, which shall be payable by wire transfer by Hunan Shuifa to Shuifa Energy Group.

**Valuation Approaches**

The value of an asset, business or business interest can be conducted by one or more of the three generally accepted valuation approaches: asset-based approach, market approach and income approach.

***Asset/Cost Approach***

A general way of estimating the value of a business and/or equity interest using methods based on the market value of individual business assets less liabilities. It is founded on the principle of substitution, i.e. an asset is worth no more than it would cost to replace all of its constituent parts.

***Market Approach***

A general way of estimating a value indication of an asset, the Market Approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to market comparables. For the Market Approach to be used, a sufficient number of comparable companies to make comparisons must be available, with the industry composition must be such that meaningful comparisons can be made.

***Income Approach***

This approach focuses on the economic benefits generated by the income producing capability of an enterprise. The underlying theory of this approach is that the value of an enterprise can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

***Selection of Valuation Approach***

The fair value of the Target Company can be conducted by one or more of the abovementioned valuation approaches. Under each approach, there are numerous methods that can be used to determine the fair value of the Target Company. Each valuation method uses a specific procedure to calculate the value and no one business valuation approach or method is definitive. In determining which method or methods to use in this valuation, we have held discussion with the management and have considered the business nature, the current financial position and its future prospective of the Target Company.

In this valuation, we consider that the market approach is more appropriate for valuing the Target Company. The asset-based approach does not directly incorporate information about the future economic benefits contributed by the Target Company. Income approach, which requires financial projections for the Target Company, is also considered to be inappropriate as it involves considerable assumptions and long-term projection which are difficult to verify given the Target Company is still in its early stage of production. In this regard, we rely on the market approach in determining the fair value of the Target Company.

**General Assumptions**

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in our valuation analysis and in the preparation of the reported assessed figures. The assumptions are:

- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;

- There will be no major changes in the current taxation law in the areas in which the Target Company conducting its operation, including the rate of tax payable and all applicable laws and regulations remains unchanged;
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;
- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;
- The Target Company will remain free from claims and litigation against the business or their customers that will have a material impact on value;
- The Target Company is unaffected by any statutory notice and that operation of the Target Company gives, or will give, no rise to a contravention of any statutory requirements;
- The Target Company is not subject to any unusual or onerous restrictions or encumbrances;
- The potential bad debt arising from the operation of the Target Company, if any, will not materially affect the business operations.

### **Valuation Methodologies**

In general, there are two methods under the market approach, namely the guideline merged and acquired company methods and the guideline publicly traded company method. Guideline merged and acquired company method is based on acquisitions and sales of entire companies, divisions or certain equity interests of either publicly traded or private companies. Guideline publicly traded company method is based on the adoption of valuation multiples that are drawn from companies traded in major stock exchanges to the fundamental data of the subject company.

In this valuation, we have adopted the guideline publicly traded company method as there are sufficient comparable companies in the marketplace. In determining the appropriate valuation multiples, we have considered using profitability ratios such as price to earnings multiple and enterprise value to earnings before interests, tax, depreciation and amortization multiple that are used commonly in market approach. However, we have not utilized these valuation multiples because the Target Company was established in January 2021 and is still in its early stage of production. In this regard, we have utilized the price to book ratio (“**PB Ratio**”) which we considered more appropriate in the current life cycle of the Target Company.

*Net Book Value of Target Company*

According to the Accountants' Report, total assets and total liabilities of the Target Company as of the Valuation Date were amounted to RMB3,576,553,000 and RMB2,874,714,000 respectively, resulting in net book value of RMB701,839,000.

*Comparable Companies*

We have identified a list of comparable companies (“**Comparable Companies**”) based on the below criteria:

- Listed in recognized stock exchange and its stock has an active trading profile
- Engaged in similar business activities as the Target Company, i.e. renewable energy
- Operates in a similar geography as the Target Company, i.e. Mainland China and Hong Kong

The following table sets out the selected 12 Comparable Companies:

<b>Company Name</b>	<b>Stock Code</b>	<b>Descriptions</b>
China Three Gorges Renewables Group Co Ltd	600905 CH	China Three Gorges Renewables (Group) Co., Ltd. operates renewable energy generation businesses. The Company generates onshore wind power, photovoltaic power, wind power, hydropower, solar power, and other power products.
Xinjiang Goldwind Science & Technology Co Ltd	002202 CH	Xinjiang Goldwind Science & Technology Co., Ltd. manufactures wind generation equipment. The Company produces wind turbines, wind turbine components, wind power generation sets, and other equipment. The Company also operates wind farm development, photovoltaic products making, and other businesses.
CECEP Wind-Power Corporation	601016 CH	CECEP Wind-power Corporation develops and constructs wind power projects. The Company provides wind power generation, transmission, and electricity distribution services. CECEP Wind-power conducts businesses domestically.



<b>Company Name</b>	<b>Stock Code</b>	<b>Descriptions</b>
Qingdao Tianneng Heavy Industries Co Ltd	300569 CH	Qingdao Tianneng Heavy Industries Co., Ltd manufactures and distributes wind power equipment. The Company designs, produces, and sells wind turbine towers, metal structures, and other related equipment.
Shanghai Taisheng Wind Power Equipment Co Ltd	300129 CH	Shanghai Taisheng Wind Power Equipment Co., Ltd designs and manufactures wind towers. The Company's products include wind power generation devices, chemical treatment facilities and spare parts.
Zhongmin Energy Co Ltd	600163 CH	Zhongmin Energy Co., Ltd. operates in the electricity generation industry. The Company produces and markets energy from wind and solar power stations throughout China.
JiangSu Zhenjiang New Energy Equipment Co Ltd	603507 CH	JiangSu Zhenjiang New Energy Equipment Co., Ltd. designs, manufactures, and sales wind power equipment and photovoltaic equipment components. The Company manufactures cabin cover, photovoltaic support, and other equipment products.
Zhangjiagang Guangda Special Material Co Ltd	688186 CH	Zhangjiagang Guangda Special Material Co., Ltd. manufactures and distributes steel products. The Company produces forged round bars, die and tools, wind power spindles, gear steel materials, high pressure boiler pipes, and other related products. Zhangjiagang Guangda Special Material supplies its products in the wind power, industrial machinery, auto, and ship building industries.
Ningxia Jiaze New Energy Co Ltd	601619 CH	Ningxia Jiaze Renewables Corporation Limited develops renewable energy projects. The Company develops solar, wind, biological, and other energy resources.

<b>Company Name</b>	<b>Stock Code</b>	<b>Descriptions</b>
China Longyuan Power Group Corp Ltd	916 HK	China Longyuan Power Group Corporation Limited designs, develops, and operates wind farms. The Company also provides thermal power, solar power, tidal power, biomass power, and geothermal power services. China Longyuan Power Group conducts wind farm repair, maintenance, and training businesses.
China Datang Corp Renewable Power Co Ltd	1798 HK	China Datang Corporation Renewable Power Co., Limited operates power generation businesses. The Company generates electricity from wind power, solar power, biomass power, and other renewable power. China Datang Corporation Renewable Power also develops low carbon technologies.
Xinjiang Goldwind Science & Technology Co Ltd	2208 HK	Xinjiang Goldwind Science & Technology Co., Ltd. manufactures wind generation equipment. The Company produces wind turbines, wind turbine components, wind power generation sets, and other equipment. Xinjiang Goldwind Science & Technology also operates wind farm development, photovoltaic products making, and other businesses.

*PB Ratio of the Comparable Companies*

In calculating the PB Ratio of the Comparable Companies, market capitalization of the Comparable Companies as of Valuation Date were taken as numerator while equity attributable to owners of Comparable Companies from the latest available reporting date were taken as denominator.

The following table sets out the PB Ratio of the Comparable Companies as of the Valuation Date:

<b>Company Name</b>	<b>PB Ratio</b>
China Three Gorges Renewables Group Co Ltd	2.16
Xinjiang Goldwind Science & Technology Co Ltd	1.22
CECEP Wind-Power Corporation	1.87
Qingdao Tianneng Heavy Industries Co Ltd	1.88
Shanghai Taisheng Wind Power Equipment Co Ltd	1.63
Zhongmin Energy Co Ltd	2.00
JiangSu Zhenjiang New Energy Equipment Co Ltd	2.73
Zhangjiagang Guangda Special Material Co Ltd	2.04
Ningxia Jiaze New Energy Co Ltd	1.64
China Longyuan Power Group Corp Ltd	1.76
China Datang Corp Renewable Power Co Ltd	0.77
Xinjiang Goldwind Science & Technology Co Ltd	1.15
	<b>Median</b>
	<b>1.82</b>
	<b>Average</b>
	<b>1.74</b>

**Valuation Premium and Discounts***Control Premium*

The guideline publicly traded company method is based on applying valuation multiples observed in the public stock trading markets to the fundamental data of the subject company. Because shares of the comparable companies are actively traded minority interests, therefore, this valuation method traditionally has been assumed to produce a marketable minority level of value.

Following this, we have taken into consideration the control premium in assessing the equity value of the Target Company. Control premium, according to the International Glossary of Business Valuation Terms, is defined as an amount or a percentage by which the pro rata value of a controlling interest exceeds the prorated value of a non-controlling interest in a business enterprise to reflect the power of control. In other words, it is the additional consideration that an investor would pay over a minority equity value in order to own a controlling interest of a company.

In determining the amount of control premium, we made reference to various control premium studies from research company and accounting firms. In this valuation, we have adopted a control premium of 20% in the valuation.

***Discount for Lack of Marketability (DLOM)***

Discount for lack of marketability, according to the International Glossary of Business Valuation Terms, is defined as an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability. The Target Company, as compared to the Comparable Companies which are publicly traded, does not have a known market price and is not readily marketable. Therefore, a private company such as the Target Company is theoretically worth less than a public company with the same business, given other things being the same.

In determining the amount of the discount for lack of marketability, we made reference to various DLOM studies from research company and accounting firms. In this valuation, we have adopted a discount for lack of marketability of 15% in the valuation.

**Equity Value of the Target Company**

The calculation of equity value of the Target Company as of the Valuation Date was illustrated as follows:

Net book value as of Valuation Date (RMB'000)	701,839
Adopted PB Ratio	1.74
100% equity value before control premium	1,221,200
Control premium @ 20%	244,240
100% equity value after control premium	1,465,440
Discount for lack of marketability @ 15%	(219,816)
100% equity value after control premium and DLOM (RMB'000)	<b>1,245,624</b>

**Limiting Conditions**

- The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
- As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.
- We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

- Knight Frank Asset Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.
- No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.
- Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
- We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.
- This valuation report has been prepared solely as reference on the Circular only.
- This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this valuation report is only for the purpose of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

**Opinion of Value**

Based on our analysis, it is our opinion that as of the Valuation Date, we are of the opinion that the fair value of 100% equity interest of the Target Company is reasonably represented in the amount of **RENMINBI ONE BILLION TWO HUNDRED FORTY FIVE MILLION SIX HUNDRED TWENTY FOUR THOUSAND ONLY (RMB1,245,624,000)**.

Yours faithfully  
For and on behalf of

**Knight Frank Asset Appraisal Limited**

**Clement W M Leung** *MF in MCIREA MHKIS*  
*MRICS RPS (GP)*  
*Executive Director*  
*Head of China Valuation & Advisory*

**Andrew C L Chan** *CFA FRM MBA*  
*Director*  
*Corporate Valuation & Advisory*

*Notes:*

1. Clement W M Leung MFin MCIREA MHKIS MRICS RPS(GP), is a qualified valuer and has about 22 years' experience in the valuation of properties in Hong Kong, Macau and Asia Pacific region and has 20 years' experience in the valuation of properties in the People's Republic of China.
2. Andrew C L Chan CFA FRM MBA has over 20 years' experience in corporate valuation, investment and financial analysis and has been participating in various valuation projects in the People's Republic of China, Hong Kong and Singapore.

*The following is the text of a valuation report prepared for the purpose of incorporation in this circular from the Valuer, in connection with its valuation as of 30 September 2022 of the 100% interest of Shuifa Clean Energy Co., Ltd and its subsidiaries.*



The Directors  
China Shuifa Singyes Energy Holdings Limited  
Unit 3108, 31/F China Merchants Tower,  
Shun Tak Centre  
168-200 Connaught Road Central,  
Hong Kong

28 February 2023

Dear Sirs

**VALUATION OF 100% EQUITY INTEREST IN SHUIFA CLEAN ENERGY CO., LTD. (水發清潔能源股份有限公司) AND ITS SUBSIDIARIES**

In accordance with your instructions, we have undertaken a valuation on behalf of China Shuifa Singyes Energy Holdings Limited (“**China Shuifa**” or the “**Client**”) to determine the fair value of 100% equity interest of Shuifa Clean Energy Co., Ltd. and its subsidiaries (together referred to as the “**Target Company**”) as of 30 September 2022 (the “**Valuation Date**”) in relation to the acquisition of the Target Company (“**Acquisition**”) by Hunan Shuifa Singyes Green Energy Co., Ltd.

The valuation will be used as reference on the circular dated 28 February 2023 (the “**Circular**”) in regard to the Acquisition. The valuation and findings in this report will be used for the abovementioned purpose only.

**Basis of Valuation**

Our valuation analysis was carried out on a fair value basis which, according to Hong Kong Financial Reporting Standard, is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price)”.

We have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Council. Our valuation was performed so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

### Sources of Information

Our valuation analysis is based on our discussion with the management of the Client during the course of our engagement and we have considered, reviewed and relied on the information provided and the publicly available sources. Major sources of information include the following:

- Client’s announcement in relation to the acquisition of the Target Company dated 9 December 2022 (“**Announcement**”);
- Client’s announcement relating to the memorandum of understanding in relation to the possible acquisition of the Target Company dated 23 June 2022;
- Share subscription agreement entered between the Target Company and Hunan Shuifa Singyes Green Energy Co., Ltd. (湖南水發興業綠色能源股份有限公司) (“**Hunan Shuifa**”) (“**SSA**”);
- Share purchase supplementary agreement entered between the Target Company and Hunan Shuifa;
- Accountants’ report of the Target Company as of the Valuation Date (“**Accountants’ Report**”);
- Audited financial statements of the Target Company for the year ended 31 December 2019, 2020 and 2021;
- Draft due diligence report prepared by Beijing DHH Law Firm (“**DD Report**”);
- Group chart for the Target Company; and
- Bloomberg database.

### China Shuifa

China Shuifa, a listed company on the Main Board of The Stock Exchange of Hong Kong Limited, is a professional renewable energy and green construction solution provider. Its principal businesses are the design and management of the operation and maintenance of curtain wall, green building and renewable energy projects, including building integrated photovoltaic, distributable and concentrated photovoltaic projects and wind power projects.



**Target Company**

The Target Company was established on 31 July, 2017 with a registered capital of RMB 101.4714 million and was owned as to 98.55% by Shuifa Energy Group Co., Ltd. (水發能源集團有限公司) (“**Shuifa Energy Group**”) and 1.45% by Zibo Linre New Energy Limited (淄博臨熱新能源有限公司) (“**Zibo Linre**”), an independent third party which is not connected to China Shuifa. Shuifa Energy Group is the controlling shareholder of China Shuifa, indirectly holding approximately 66.92% of the total issued share capital of China Shuifa. It is a wholly owned subsidiary of Shuifa Group Co., Ltd. (水發集團有限公司) (“**Shuifa Group**”) which is a state-owned enterprise established in the PRC.

As of the Valuation Date, the registered capital of RMB101.47 million of the Target Company has not been fully paid-up, among which RMB20.29 million has been paid up and RMB81.18 million remains unpaid. The following table sets out the capital structure of the Target Company as of the Valuation Date:

<b>Shareholders</b>	<b>Registered Capital (RMB)</b>	<b>Paid-in Capital (RMB)</b>	<b>% of total</b>
Shuifa Energy Group	100,000,000	20,000,000	98.55%
Zibo Linre	1,471,400	294,500	1.45%
<b>Total</b>	<b>101,471,400</b>	<b>20,294,500</b>	<b>100.00%</b>

The Target Company is principally engaging in the business of development, construction and operation of photovoltaic, wind power, gas, heating and other clean energy project. According to the DD Report, the Target Company has three photovoltaic power stations in operation.

<b>Project Name</b>	<b>Form of Power Generation</b>	<b>Grid- connected Capacity</b>	<b>Feed-in Tariff (RMB)</b>
Tongchuan City, Shanxi	Centralized	250 MW	0.75/kWh
Heze City, Shandong	Distributed	2 MW	0.3949/kWh
Yantai City, Shandong	Distributed	0.432 MW	0.3949/kWh

According to the SSA, the Target Company agreed to issue and Hunan Shuifa, an indirectly wholly-owned subsidiary of China Shuifa, agreed to subscribe 105,613,100 shares of the Target Company at a subscription amount of RMB503,774,500, which shall be settled by cash and payable by Hunan Shuifa to Shuifa Energy Group.

According to the Accountants' Report, the financial information of the Target Company for the year 31 December 2020, 31 December 2021 and 30 September 2022 are set out below:

<i>(RMB '000)</i>	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>30 September 2022</b>
Net profits after taxation	(26,523)	53,219	74,008
Total assets	437,083	2,186,955	1,908,210
Net assets	99,944	206,354	301,067

### **Valuation Approaches**

The value of an asset, business or business interest can be conducted by one or more of the three generally accepted valuation approaches: asset-based approach, market approach and income approach.

#### ***Asset/Cost Approach***

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#### ***Market Approach***

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#### ***Income Approach***

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In this valuation, we consider that the market approach is more appropriate for valuing the Target Company. The asset-based approach does not directly incorporate information about the future economic benefits contributed by the Target Company. Income approach, which requires financial projections for the Target Company, is also considered to be inappropriate as it involves considerable assumptions which are difficult to verify and the information is not available to us. In this regard, we rely on the market approach in determining the fair value of the Target Company.

**General Assumptions**

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in our valuation analysis and in the preparation of the reported assessed figures. The assumptions are:

- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation;
- There will be no major changes in the current taxation law in the areas in which the Target Company conducting its operation, including the rate of tax payable and all applicable laws and regulations remains unchanged;
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;
- There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;
- The Target Company will remain free from claims and litigation against the business or their customers that will have a material impact on value;
- The Target Company is unaffected by any statutory notice and that operation of the Target Company gives, or will give, no rise to a contravention of any statutory requirements;

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- The potential bad debt arising from the operation of the Target Company, if any, will not materially affect the business operations.

### **Valuation Methodologies**

In general, there are two methods under the market approach, namely the guideline merged and acquired company methods and the guideline publicly traded company method. Guideline merged and acquired company method is based on acquisitions and sales of entire companies, divisions or certain equity interests of either publicly traded or private companies. Guideline publicly traded company method is based on the adoption of valuation multiples that are drawn from companies traded in major stock exchanges to the fundamental data of the subject company.

In this valuation, we have adopted the guideline publicly traded company method as there are sufficient comparable companies in the marketplace. In determining the appropriate valuation multiples, we have considered using profitability ratios such as price to earnings multiple and enterprise value to earnings before interests, tax, depreciation and amortization multiple that are used commonly in market approach. However, we have not utilized these valuation multiples because the Target Company is expected to undertake a number of photovoltaic projects in the coming years and therefore it would be relatively difficult to determine the normalized earnings for valuation purpose. In this regard, we have utilized the price to book ratio (“**PB Ratio**”) which we considered more appropriate in the current life cycle of the Target Company.

### ***Net Book Value of Target Company***

According to the Accountants’ Report, total assets and total liabilities of the Target Company as of the Valuation Date were amounted to RMB1,908,210,000 and RMB1,607,143,000 respectively. Non-controlling interests were amounted to RMB82,909,000, resulting in equity attributable to owners of the Target Company of RMB218,158,000.

### ***Comparable Companies***

We have identified a list of comparable companies (“**Comparable Companies**”) based on the below criteria:

- Listed in recognized stock exchange and its stock has an active trading profile
- Engaged in similar business activities as the Target Company, i.e. renewable energy
- Operates in a similar geography as the Target Company, i.e. Mainland China and Hong Kong

The following table sets out the selected 12 Comparable Companies:

<b>Company Name</b>	<b>Stock Code</b>	<b>Descriptions</b>
China Three Gorges Renewables Group Co Ltd	600905 CH	China Three Gorges Renewables (Group) Co., Ltd. operates renewable energy generation businesses. The Company generates onshore wind power, photovoltaic power, wind power, hydropower, solar power, and other power products.
CECEP Solar Energy Co Ltd	000591 CH	CECEP Solar Energy Co., Ltd. operates in the solar energy industry. The Company manages solar power stations and manufactures photovoltaic components.
Zhejiang Provincial New Energy Investment Group Co Ltd	600032 CH	Zhejiang Provincial New Energy Investment Group Co., Ltd. operates as an investment company. The Company invests in hydropower generation, photovoltaic power generation, wind power generation, and other projects. Zhejiang Provincial New Energy Investment Group also provides engineering management, renewable energy technology development, and other businesses.
Risen Energy Co Ltd	300118 CH	Risen Energy Co., Ltd. develops, manufactures and sells photovoltaic applications. The Company's products include crystalline silicon solar lamps, batteries, parts and other applications.
Jinko Power Technology Co Ltd	601778 CH	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. Jinko Power Technology also offers photovoltaic power plant project general contracting services.

<b>Company Name</b>	<b>Stock Code</b>	<b>Descriptions</b>
EGing Photovoltaic Technology Co Ltd	600537 CH	EGing Photovoltaic Technology Company Ltd. manufactures solar energy equipment. The Company produces mono crystalline and polycrystalline solar modules.
Ningxia Jiaze New Energy Co Ltd	601619 CH	Ningxia Jiaze Renewables Corporation Limited develops renewable energy projects. The Company develops solar, wind, biological, and other energy resources. Ningxia Jiaze Renewables also operates technology transfer, foreign investments, and other businesses.
Tonking New Energy Group Holdings Ltd	8326 HK	Tonking New Energy Group Holdings Limited engages in renewable energy business. The Company operates engineering procurement construction for photovoltaic power stations and sale of patented photovoltaic tracking mounting bracket systems.
Solargiga Energy Holdings Ltd	757 HK	Solargiga Energy Holdings Limited operates as a holding company. The Company, through its subsidiaries, manufactures and processes monocrystalline, multi-crystalline silicon solar ingots, and wafers.
Beijing Energy International Holding Co Ltd	686 HK	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. Beijing Energy International Holding also operates wind power station development, hydroelectric power generation, and other businesses.

Company Name	Stock Code	Descriptions
Xinyi Energy Holdings Ltd	3868 HK	Xinyi Energy Holdings Limited 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.
Xinte Energy Co Ltd	1799 HK	Xinte Energy Co., Ltd. manufactures and distributes solar grade polysilicon products. The Company produces polysilicon, silicon nitride, silica, silicone, and other products. Xinte Energy also operates electricity production, engineering construction contracting, inverter manufacturing, and other businesses.

#### ***PB Ratio of the Comparable Companies***

In calculating the PB Ratio of the Comparable Companies, market capitalization of the Comparable Companies as of Valuation Date were taken as numerator while equity attributable to owners of Comparable Companies from the latest available reporting date were taken as denominator.

The following table sets out the PB Ratio of the Comparable Companies as of the Valuation Date:

Company Name	PB Ratio
China Three Gorges Renewables Group Co Ltd	2.16
CECEP Solar Energy Co Ltd	1.70
Zhejiang Provincial New Energy Investment Group Co Ltd	2.74
Risen Energy Co Ltd	2.56
Jinko Power Technology Co Ltd	1.06
EGing Photovoltaic Technology Co Ltd	3.19
Ningxia Jiaze New Energy Co Ltd	1.64
Tonking New Energy Group Holdings Ltd	1.03
Solargiga Energy Holdings Ltd	1.84
Beijing Energy International Holding Co Ltd	0.64
Xinyi Energy Holdings Ltd	1.45
Xinte Energy Co Ltd	0.85
	<b>Median</b>
	<b>1.67</b>
	<b>Average</b>
	<b>1.74</b>

**Valuation Premium and Discounts*****Control Premium***

The guideline publicly traded company method is based on applying valuation multiples observed in the public stock trading markets to the fundamental data of the subject company. Because shares of the comparable companies are actively traded minority interests, therefore, this valuation method traditionally has been assumed to produce a marketable minority level of value.

Following this, we have taken into consideration the control premium in assessing the equity value of the Target Company. Control premium, according to the International Glossary of Business Valuation Terms, is defined as an amount or a percentage by which the pro rata value of a controlling interest exceeds the prorated value of a non-controlling interest in a business enterprise to reflect the power of control. In other words, it is the additional consideration that an investor would pay over a minority equity value in order to own a controlling interest of a company.

In determining the amount of control premium, we made reference to various control premium studies from research company and accounting firms. In this valuation, we have adopted a control premium of 20% in the valuation.

***Discount for Lack of Marketability (DLOM)***

Discount for lack of marketability, according to the International Glossary of Business Valuation Terms, is defined as an amount or percentage deducted from the value of an ownership interest to reflect the relative absence of marketability. The Target Company, as compared to the Comparable Companies which are publicly traded, does not have a known market price and is not readily marketable. Therefore, a private company such as the Target Company is theoretically worth less than a public company with the same business, given other things being the same.

In determining the amount of the discount for lack of marketability, we made reference to various DLOM studies from research company and accounting firms. In this valuation, we have adopted a discount for lack of marketability of 15% in the valuation.

**Equity Value of the Target Company**

The calculation of equity value of the Target Company as of the Valuation Date was illustrated as follows:

Net book value as of Valuation Date (RMB'000)	218,158
Adopted PB Ratio	1.74
100% equity value before control premium	379,595
Control premium @ 20%	75,919
100% equity value after control premium	455,514
Discount for lack of marketability @ 15%	(68,327)
100% equity value after control premium and DLOM (RMB'000)	<b>387,187</b>



**Subsequent Events**

For the purpose of repaying the outstanding registered capital, shareholders of the Target Company had made a total of RMB81,176,9000 cash injection into the Target Company as follow (“**Capital Injection**”):

On 18 November 2022, Shuifa Energy Group had paid RMB80,000,000 into the Target Company as paid-in capital.

On 21 November 2022, Zibo Linre had paid RMB1,176,900 into the Target Company as paid-in capital.

After the Capital Injection, the registered capital of RMB101.47 million of the Target Company had been fully paid.

As mentioned above, we have adopted the market approach in valuing the Target Company, under which the PB Ratio was used. A change in the net assets of the Target Company as a result of the Capital Injection will have an impact on the valuation result. Nevertheless, the Capital Injection is a subsequent event, which is defined as an event that occurs after the Valuation Date and therefore, disclosure of the Capital Injection in this report section is for informational purposes only and does not affect the determination of value of the Target Company as of the Valuation Date.

**Limiting Conditions**

- The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation.
- As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.
- We have explained as part of our service engagement procedure that it is the director’s responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies’ ordinance.
- Knight Frank Asset Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.
- No opinion is intended to be expressed for matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers.

- Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.
- We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.
- This valuation report has been prepared solely as reference on the Circular only.
- This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this valuation report is only for the purpose of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

**Opinion of Value**

Based on our analysis, it is our opinion that as of the Valuation Date, we are of the opinion that the fair value of 100% equity interest of the Target Company is reasonably represented in the amount of **RENMINBI THREE HUNDRED EIGHTY SEVEN MILLION ONE HUNDRED EIGHTY SEVEN THOUSAND ONLY (RMB387,187,000)**.

Yours faithfully  
For and on behalf of  
**Knight Frank Asset Appraisal Limited**

**Clement W M Leung** *MFin MCIREA MHKIS*  
*MRICS RPS (GP)*  
*Executive Director*  
*Head of China Valuation & Advisory*

**Andrew C L Chan** *CFA FRM MBA*  
*Director*  
*Corporate Valuation & Advisory*

*Notes:*

1. Clement W M Leung MFin MCIREA MHKIS MRICS RPS(GP), is a qualified valuer and has about 22 years' experience in the valuation of properties in Hong Kong, Macau and Asia Pacific region and has 20 years' experience in the valuation of properties in the People's Republic of China.
2. Andrew C L Chan CFA FRM MBA has over 20 years' experience in corporate valuation, investment and financial analysis and has been participating in various valuation projects in the People's Republic of China, Hong Kong and Singapore.

## 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

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 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 for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company were as follows:

### Interests in the Company

Name of Director	Company/Name of associated corporation	Capacity	Type of interest	Number of Shares held	Approximate % of issued share capital of the Company (Note 1)
Mr. Zheng Qingtao	Company	Beneficial interest (Note 2)	Long position	1,600,000	0.06%
Mr. Liu Hongwei	Company	Interest of a controlled corporation (Note 3)	Long position	202,038,750	8.01%
		Beneficial interest (Note 2)	Long position	1,500,000	0.05%
Mr. Chen Fushan	Company	Beneficial interest (Note 2)	Long position	1,400,000	0.05%
Mr. Wang Dongwei	Company	Beneficial interest (Note 2)	Long position	1,400,000	0.05%
Mr. Xie Wen	Company	Beneficial interest (Note 2)	Long position	1,400,000	0.05%

*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 shares under the share award plan have been 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.

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

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

Name of Shareholder	Capacity	Long position/short position	Number of Shares held	Approximate % of issued share capital of the Company (Note 1)
Strong Eagle Holdings Limited (Note 2)	Beneficial owner	Long position	202,038,750	8.01%
Water (HK) Development 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. Mr. Zheng Qingtao, an executive Director and the chairman of the Board, is also the chairman of the board of directors of Shuifa Energy, and Ms. Li Li, a non-executive Director, is also a supervisor 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 registered kept under section 336 of the SFO has 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 had any existing or proposed service contract with any member of the Enlarged Group which would not expire or would not be determinable by such member of 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 2021, 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

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 Enlarged Group subsisting at the Latest Practicable Date and which was significant in relation to the businesses of the Enlarged Group.

**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 Group and its associates hold, in aggregate, 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 confirm that there is no material adverse change in the financial position or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group was 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:

<b>Name</b>	<b>Qualification</b>
INCU Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions
Yongtuo Fuson CPA Limited	Certified Public Accountants Registered Public Interest Entity Auditor
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50)  Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Knight Frank Asset Appraisal 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, none of INCU Corporate Finance Limited, Yongtuo Fuson CPA Limited, PricewaterhouseCoopers and the Valuer:

- (a) had any shareholding in any member of the Group 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;
- (b) had any interest, either direct or indirect, in any assets which have been, since 31 December 2021, 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.



To the best of knowledge, information and belief of the Board and having made all reasonable enquiries, each of INCU Corporate Finance Limited, Yongtuo Fuson CPA Limited, PricewaterhouseCoopers and the Valuer is a third party independent of the Company and is not a connected person of the Company.

Each of (i) the letter of the Independent Financial Adviser; (ii) the accountants' report on Shuifa Energy (Tongyu); (iii) the accountants' report on Shuifa Clean Energy; (iv) the report on unaudited pro forma financial information of the Enlarged Group; and (v) the valuation report(s) of Knight Frank Asset Appraisal Limited is given as of the date of this circular for incorporation herein.

## 9. MATERIAL LITIGATION

As at the Latest Practicable Date, certain members of the Enlarged Group were a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Enlarged Group believes that any possible legal liability which may result from the aforesaid cases will not have a material adverse effect on the financial position and operating results of the Enlarged Group. Save as disclosed, as at the Latest Practicable Date, no other material litigation or claims were pending or threatened or made against the Enlarged Group so far as the Directors are aware.

## 10. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into the ordinary course of business, were entered into by the Enlarged Group which are or may be material:

- (a) the EPC agreement dated 23 September 2022 and entered into between (i) Shanxi Ronghe Energy Technology Co., Ltd.\* (陝西融和能源科技有限責任公司), an indirect non wholly-owned subsidiary of Shuifa Group, as principal; and (ii) Jiangxi Yaxing Construction Co., Ltd.\* (江西亞興建設有限公司), Zhongtie Tunnel Survey and Design School Co., Ltd.\* (中鐵隧道勘測設計院有限公司) and Zhongdian Keputian Technology Share Co., Ltd.\* (中電科普天科技股份有限公司) as contractors in relation to the surveying, design and construction of 5G network towers in various cities in the PRC for a total contract sum of RMB72,783,831.03;
- (b) the partnership agreement dated 30 May 2022 and entered into between Hunan Shuifa Singyes and China Cinda Asset Management Co., Ltd. (both as limited partner), and Cinda Capital Management Co., Ltd. (as general partner) in respect of the establishment of Nanjing Xinfaneng Equity Investment Partnership (Limited Partnership)\* (南京信發能股權投資合夥企業(有限合夥)) with a total amount of capital commitments of RMB1.251 billion;

- (c) the strategic cooperation agreement dated 16 December 2021 and entered into between the Company and China Power International Development Limited, pursuant to which both parties would collaborate in various fields such as photovoltaics, wind power, integrated smart energy and energy-saving and low-carbon construction;
- (d) the EPC agreement dated 1 December 2021 and entered into between (i) Tongyu Strong Wind Electric Power Co., Ltd.\* (通榆強風電力有限公司), an indirect wholly-owned subsidiary of the Company, as principal; and (ii) Shandong Aoxiang Electric Power Construction Design Consultancy Co., Ltd.\* (山東奧翔電力工程設計諮詢有限公司), an indirect non wholly-owned subsidiary of Shuifa Energy, and Jilin Chengyuan Electric Power Construction Co., Ltd.\* (吉林省城原電力工程有限公司) as contractors in relation to the 100MW wind power station project located in the west of Tongyu County, Baicheng City, Jilin Province, the PRC for a total contract sum of RMB180,002,500;
- (e) the sale and purchase agreement dated 30 September 2021 and entered into among Hunan Shuifa Singyes, Shandong Shuifa Clean Energy Technology Co., Ltd.\* (山東水發清潔能源科技有限公司) (“**Shandong Shuifa**”), a wholly-owned subsidiary of Shuifa Energy, and Heze Kaifaqu Shuifa Guangyao New Energy Co., Ltd.\* (菏澤開發區水發光耀新能源有限公司) (“**Shuifa Guangyao**”) with respect to the acquisition of 100% equity interest in Shuifa Guangyao at a consideration of RMB3.16 million;
- (f) the sale and purchase agreement dated 30 September 2021 and entered into among Hunan Shuifa Singyes, Shandong Shuifa and Xintaishi Zhongmu New Energy Technology Co., Ltd.\* (新泰市中穆新能源科技有限公司) (“**Xintaishi Zhongmu**”) with respect to the acquisition of 86% equity interest in Xintaishi Zhongmu at a consideration of RMB49.02 million;
- (g) the sale and purchase agreement dated 30 September 2021 and entered into among Hunan Shuifa Singyes, Shandong Shuifa and Dongying Tianze New Energy Technology Co., Ltd.\* (東營天澤新能源科技有限公司) (“**Dongying Tianze**”) with respect to the acquisition of 68% equity interest in Dongying Tianze at a consideration of RMB51.00 million;
- (h) second supplemental agreement to the amended and restated sale and purchase agreement dated 12 March 2021 and entered into among Excel Deal Investment Limited as purchaser, Hunan Shuifa Singyes Green Energy Co., Ltd.\* (湖南水發興業綠色能源股份有限公司), a wholly-owned subsidiary of the Company, as vendor, the Company as the vendor’s guarantor and Happy Fountain Limited and Lukong Water Group Co., Ltd.\* (魯控水務集團有限公司) as the investors in respect of the (i) 81% of the equity interest of Xinjiang Singyes Renewable Energy Company Limited and (ii) 81% of the equity interest of Wuwei Dongrun Solar Energy Development Company Limited;

- (i) the acquisition agreement dated 11 January 2021 and entered into between Hunan Shuifa Singyes as purchaser and Jiangxi Xinqing Photovoltaic Power Co., Ltd.\* (江西鑫慶光伏電力有限公司) as vendor in relation to the acquisition of the entirety of the equity interest in Dunhuang Anjie New Energy Co., Ltd.\* (敦煌安潔新能源有限公司), with a total consideration of RMB147.6 million;
- (j) the acquisition agreement dated 5 January 2021 and entered into among Zhuhai Singyes Green Construction Technology Co., Ltd.\* (珠海興業綠色建築科技有限公司) (“**Zhuhai Singyes**”), an indirect wholly-owned subsidiary of the Company, as the purchaser, Zhang Jian (張建) and Zhang Yue (張越), as the vendors and Beijing Guanya Weiye Civil Construction Design Co., Ltd.\* (北京冠亞偉業民用建築設計有限公司) (“**Beijing Guanya**”) in relation to the acquisition of an aggregate of 60% equity interest in Beijing Guanya with a total consideration of RMB19.80 million;
- (k) the capital injection agreement dated 15 December 2020 and entered into among Zhuhai Singyes as investor, Yu Nanhui (余南暉), Li Peng (李鵬) and Chen Chen (陳晨) as target shareholders and Jiangxi Yaxing Construction Co., Ltd.\* (江西亞興建設有限公司) (“**Jiangxi Yaxing**”) as target company, pursuant to which Zhuhai Singyes agreed to make a capital injection of RMB19.90 million into Jiangxi Yaxing;
- (l) acquisition agreement dated 15 December 2020 and entered into between Zhuhai Singyes and Yu Nanhui (余南暉) in relation to the acquisition of 28% equity interest in Jiangxi Yaxing;
- (m) acquisition agreement dated 15 December 2020 and entered into between Zhuhai Singyes and Li Peng (李鵬) in relation to the acquisition of 6.2% equity interest in Jiangxi Yaxing; and
- (n) acquisition agreement dated 15 December 2020 and entered into between Zhuhai Singyes and Chen Chen (陳晨) in relation to the acquisition of 5.8% equity interest in Jiangxi Yaxing.

## 11. MISCELLANEOUS

- (a) The registered office of the Company is at 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda.
- (b) The head office and principal place of business in Hong Kong of the Company is at Unit 3108, 31/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central Hong Kong.
- (c) The principal share registrar of the Company is Butterfield Fulcrum Group (Bermuda) Limited, Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda.

- (d) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong.
- (e) The company secretary of the Company is Mr. CHAN Koon Leung Alexander. Mr. Chan is a member of both of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistencies.

## 12. 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 Share Transfer Agreements;
2. the Share Subscription Agreement;
3. the Supplemental Share Subscription Agreement;
4. the supplemental agreement to the Share Transfer Agreement I dated 24 February 2023 and entered into among Hunan Shuifa Singyes, Shuifa Energy and Shuifa Energy (Tongyu) with respect to Share Transfer I;
5. the supplemental agreement to the Share Transfer Agreement II dated 24 February 2023 and entered into among Hunan Shuifa Singyes, Shuifa Fengyuan Energy and Shuifa Energy (Tongyu) with respect to Share Transfer II;
6. Financial Lease Agreement I;
7. Financial Lease Agreement II;
8. the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
9. 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;
10. the letter from INCU Corporate Finance Limited 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 INCU Corporate Finance Limited” in this circular;
11. the accountants’ report on Shuifa Energy (Tongyu), the text of which is set out in Appendix II to this circular;

12. the accountants' report on Shuifa Clean Energy, the text of which is set out in Appendix III to this circular;
13. the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;
14. the valuation report of Shuifa Energy (Tongyu), the text of which is set out in Appendix VI to this circular;
15. the valuation report of Shuifa Clean Energy, the text of which is set out in Appendix VII to this circular; and
16. 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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### 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)**

#### NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms defined in the circular dated 28 February 2023 issued by the Company (the “Circular”) shall have the same meanings when used herein, unless the context otherwise requires.

#### **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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## NOTICE OF SGM

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**NOTICE IS HEREBY GIVEN** that a special general meeting of China Shuifa Singyes Energy Holdings Limited (the “**Company**”) will be held at i.Link Group Limited, Room 901-5, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong on 21 March 2023 at 10:00 a.m. or any adjournment of such meeting for the purposes of considering and, if thought fit, passing the following resolutions, with or without modifications, as ordinary resolutions of the Company.

### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the Share Transfer Agreements and the transactions contemplated thereunder 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 Share Transfer Agreements and the transactions contemplated thereunder (including but not limited to authorise any amendment, supplementation and/or waiver of any terms thereunder).”

2. “**THAT**

- (a) the Share Subscription Agreement, the Supplemental Share Subscription Agreement and the transactions contemplated thereunder 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 Share Subscription Agreement, the Supplemental Share Subscription Agreement and the transactions contemplated thereunder (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, 28 February 2023

*Notes:*

- (a) In order to determine the right to attend the SGM, the register of members of the Company will be closed from 16 March 2023 to 21 March 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 15 March 2023. The record date for determining qualification for attendance and voting at the SGM shall be 21 March 2023.

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## NOTICE OF SGM

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- (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (i.e. not later than 10:00 a.m. on 19 March 2023) 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.
- (g) Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the meeting shall be voted on by poll.

*As at the date of this notice, 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 Wan and Ms. Li Li, and the independent non-executive Directors are Dr. Wang Ching, Mr. Yick Wing Fat, Simon and Dr. Tan Hongwei.*