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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)

CONNECTED TRANSACTION EPC AGREEMENT

EPC AGREEMENT

On 1 December 2021 (after trading hours), (i) Tongyu as principal; and (ii) Aoxiang and Chengyuan as Contractors entered into the EPC Agreement, pursuant to which Tongyu has agreed to engage Aoxiang and Chengyuan to provide EPC services in relation to the Project for a total contract sum of RMB180,002,500.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shuifa Energy is a controlling shareholder of the Company indirectly holding 1,687,008,585 Shares, representing approximately 66.92% of the issued share capital in the Company. As Aoxiang is an indirect non-wholly-owned subsidiary of Shuifa Energy, Aoxiang is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of EPC Agreement and the transactions contemplated thereunder are more than 0.1% but all are less than 5%, the EPC Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and are subject to the reporting and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of Mr. Zheng Qingtao, the chairman of the Board, Mr. Chen Fushan, an executive Director, Ms. Wang Suhui, a non-executive Director, and Ms. Li Li, a non-executive Director, holds position in Shuifa Energy or Shuifa Group, they are regarded as having a material interest in the EPC Agreement and the transactions contemplated thereunder. As such, each of Mr. Zheng Qingtao, Mr. Chen Fushan, Ms. Wang Suhui and Ms. Li Li has abstained from voting on the Board resolutions approving the EPC Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the EPC Agreement and the transactions contemplated thereunder.

The Board is pleased to announce that on 1 December 2021 (after trading hours), (i) Tongyu as principal; and (ii) Aoxiang and Chengyuan as Contractors entered into the EPC Agreement, pursuant to which Tongyu has agreed to engage Aoxiang and Chengyuan to provide EPC services in relation to the Project for a total contract sum of RMB180,002,500.

EPC AGREEMENT

The principal terms of the EPC Agreement are set out as follows:

Date

1 December 2021 (after trading hours)

Parties

- (i) 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), as lead contractor
- (ii) Jilin Chengyuan Electric Power Construction Co., Ltd.* (吉林省城原電力工程有限公司), as joint contractor
- (iii) Tongyu Strong Wind Electric Power Co., Ltd.* (通榆強風電力有限公司), as principal

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Chengyuan and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject Matter

Tongyu agreed to engage the Contractors to provide EPC services in relation to the Project.

The scope of the EPC services shall include but is not limited to land acquisition, surveying and design, fulfillment of pre-commencement procedures, construction and installation, project management, completion inspection, test run and quality assurance etc..

Under the EPC Agreement, the construction in respect of the Project shall commence in 2021 and is expected to complete in the first quarter of 2022.

The quality of the construction work under the EPC services shall be of satisfactory standard and in compliance with national and relevant industry standards in the PRC.

Contract Sum

The total contract sum under the EPC Agreement is estimated to be RMB180,002,500, comprising:

- (i) surveying and design fees of RMB4,500,000;
- (ii) architecture, construction and installation fees of RMB149,202,500;
- (iii) adjustment and test run fees of RMB1,300,000; and
- (iv) other fees of RMB25,000,000.

The Company understands that a joint contracting agreement will be or has been entered into between Chengyuan and Aoxiang, pursuant to which Chengyuan shall provide EPC services in respect of 220 kilovolt transmission lines (which forms part of the works under the EPC Agreement) at the contract price of RMB42,500,000.

The contract sum may be adjusted upon and with reference to any change in tax rates of the PRC.

The EPC Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms through a tendering process whereby the tender (including the contract sum) submitted by the Contractors was considered to be most appropriate after taking into account various factors, including quotations, professional qualifications, technical experience, market position and project management abilities. The total contract sum was determined with reference to (a) the quality standard of the services to be provided under the EPC Agreement; (b) the profit margin of the Project; and (c) the prevailing market price in respect of the EPC services.

The contract sum under the EPC Agreement will be financed by the internal resources of the Group.

Payment Terms

The contract sum for the EPC services under the EPC Agreement shall be paid by Tongyu to the Contractors in accordance with the following milestones:

- (i) 20% of the total contract sum shall be paid as prepayment immediately after the signing of the EPC Agreement;
- (ii) up to 90% of the contract sum shall be paid upon completion of construction of and satisfactory inspection results in respect of the Project; and
- (iii) up to 100% of the contract sum shall be paid upon the completion and settlement results (in relation to which the settlement statement should be reviewed by an independent qualified construction valuation firm). At the same time, the Contractors shall also provide the Warranty Letter to Tongyu in respect of 10% of the total contract sum.

INFORMATION ON THE PARTIES

Information on the Group

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

Information on Aoxiang

Aoxiang is a company established in the PRC with limited liability. Shuifa Energy is indirectly interested in 65% of the equity interest in Aoxiang. It is principally engaged in the provision of electric power constructions and municipal services (heat and gas), energy saving and environmental protection equipment contractor services.

Information on Chengyuan

Chengyuan is a company established in the PRC with limited liability. It is principally engaged in electric power constructions contractor services, power transmission construction professional contractor services and electric transmission and distribution maintenance and operations etc. The ultimate beneficial owner of Chengyuan is State Grid Corporation of China.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EPC AGREEMENT

The Group is principally engaged in the design, manufacture, supply and installation of curtain walls and systemic green construction solutions, wind farm construction and solar photovoltaic systems, as well as the sale of solar power products. The Directors consider that Project is consistent with and beneficial to the Group's ultimate goal of developing into a clean energy industry cluster with multiple capabilities and complementary advantages. With the support of its controlling shareholder, the Group has been involved in the wind power EPC business since 2020. Against the backdrop of a significant reduction in the costs of generating wind power and a substantial increase in earning ratios, the Group endeavours to consolidate quality resources and invest in the development of wind power projects, with a view to gradually transforming into a clean energy and power operator.

The entering into of the EPC Agreement and the establishment and construction of the Project is in line with the Group's business strategy. The Company considers that the Contractors are professional EPC contractors with extensive experience who will be able to deliver quality service at a standard which meets the expectations of the Group. As the EPC Agreement (including the contract sum) was awarded and determined through a tendering process, the Board considers that terms of the EPC Agreement are fair and reasonable and no less favourable than those provided by independent third parties to the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the EPC Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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As each of Mr. Zheng Qingtao, the chairman of the Board, Mr. Chen Fushan, an executive Director, Ms. Wang Suhui, a non-executive Director, and Ms. Li Li, a non-executive Director, holds position in Shuifa Energy or Shuifa Group, they are regarded as having a material interest in the EPC Agreement and the transactions contemplated thereunder. As such, each of Mr. Zheng Qingtao, Mr. Chen Fushan, Ms. Wang Suhui and Ms. Li Li has abstained from voting on the Board resolutions approving the EPC Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors has a material interest in the EPC Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Aoxiang”	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), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of Shuifa Energy
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Chengyuan”	Jilin Chengyuan Electric Power Construction Co., Ltd.* (吉林省城原電力工程有限公司), a company established in the PRC with limited liability
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractors”	Aoxiang and Chengyuan
“Directors”	the directors of the Company
“EPC”	engineering, procurement and construction

“EPC Agreement”	the EPC agreement dated 1 December 2021 entered into between (i) Tongyu as principal; and (ii) Aoxiang and Chengyuan as Contractors for the Project
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt(s)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Project”	the 100MW wind power station project located in the west of Tongyu County, Baicheng City, Jilin Province, the PRC (中國吉林省白城市通榆縣西側)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shuifa Energy”	Shuifa Energy Group Limited* (水發能源集團有限公司), a wholly-owned subsidiary of Shuifa Group
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tongyu”	Tongyu Strong Wind Electric Power Co., Ltd.* (通榆強風電力有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“US\$”	United States dollars, the lawful currency of the United States of America
“Warranty Letter”	a letter to be issued by a reputable bank procured by the Contractors, pursuant to which such bank shall unconditionally release funds representing 10% of the contract sum under the EPC Agreement to Tongyu upon the declaration by Tongyu of the Contractors’s non-performance of any quality assurance obligations

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

Hong Kong, 1 December 2021

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