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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)

UPDATE ON PERFORMANCE GUARANTEE AND CLARIFICATION ON ANNUAL REPORTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2022

UPDATE ON PERFORMANCE GUARANTEE

Reference is made to the announcements of China Shuifa Singyes Energy Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 December 2020 and 5 January 2021 (the “**Announcements**”) in respect of the discloseable transaction involving the acquisition of an aggregate of 40% equity interest in, and the injection of capital in the amount of RMB19.90 million into, Jiangxi Yaxing Construction Co., Ltd.* (江西亞興建設有限公司) (the “**Target Company**”) by Zhuhai Singyes Green Construction Technology Co., Ltd.* (珠海興業綠色建築科技有限公司, an indirect wholly-owned subsidiary of the Company) (the “**Investor**”). Capitalised terms used in this section headed “UPDATE ON PERFORMANCE GUARANTEE” announcement shall have the same meanings as those defined in the Announcements, unless the context otherwise requires.

This announcement is made by the Company pursuant to Rule 14.36B(1) and Rule 14.36B(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) to inform Shareholders and potential investors of the Company about the latest status and updates of the Guaranteed Profit(s) pursuant to the Capital Injection Agreement.

As disclosed in the Announcements, the Target Shareholders have undertaken and guaranteed to the Investor that the audited net profit (after deducting non-recurring profit and loss) of the Target Company shall not be less than the amounts set out below:

For the financial year ending 31 December

	2021	2022	2023
Audited net profit (after deducting non-recurring profit and loss) (the “ Guaranteed Profit(s) ”)	Not less than RMB30.00 million	Not less than RMB60.00 million	Not less than RMB90.00 million

Should the actual profit of the Target Company fall short of the Guaranteed Profit of any particular year, the Target Shareholders undertake to make up the difference by way of a compensation in cash to the Investor (the “**Compensation**”). In the event the Target Shareholders are unable to satisfy the Compensation in cash, the Investor is entitled to demand the settlement of the Compensation by way of a transfer of the equity interest in the Target Company held by the Target Shareholders (the “**Compensated Equity Interest**”).

Based on the audited consolidated financial statements of the Company for each of the two financial years ended 31 December 2021 and 31 December 2022, the Target Company recorded net loss of approximately RMB3.02 million and net profits (after deducting non-recurring profit and loss) of RMB5.09 million for the financial years ended 31 December 2021 and 31 December 2022, respectively. The actual profits of the Target Company fell short of the Guaranteed Profit for the financial years ended 31 December 2021 and 31 December 2022, respectively. Accordingly, Compensations of RMB7.32 million and RMB12.17 million are payable by the Target Shareholders to the Investor, for the financial years ended 31 December 2021 and 31 December 2022, respectively.

As at the date of this announcement, RMB19.49 million in Compensations remains unsettled. After due enquiry, it has come to the knowledge of the Company that the Target Shareholders are unable to satisfy the Compensations in cash.

As at the date of this announcement, the Investor is in the course of negotiating with the Target Shareholders with respect to settlement terms of the Compensations, including but not limited to the amount of Compensated Equity Interests. Based on the latest preliminary consensus between the Investor and the Target Shareholders, as a security measure, the Investor will take a charge over the 49% equity interests in the Target Company held by the Target Shareholders before allowing for an extension of time for the Target Shareholders to pay their Compensations. It is intended that if the Target Shareholders still fail pay the Compensations to the Investor in cash by 31 December 2023, the Investor would enforce the share charge. The parties have reached a preliminary understanding that they shall endeavour to reach a settlement arrangement. The Company will make further announcement(s) on any material development as and when the terms of settlement are finalised between the parties.

CLARIFICATION ON ANNUAL REPORTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2022

Reference is made to the annual reports for the years ended 31 December 2021 and 31 December 2022 of the Company published on 28 April 2022 and 25 April 2023, respectively. Due to inadvertent mistakes in the process of preparing the annual reports, there were errors in the section headed “Details of Performance Guarantee under Rule 14.36B” in the reports of the Directors in each of the annual reports for the years ended 31 December 2021 and 31 December 2022. The Company would like to clarify that the net profit of the Target Company did not meet the Guaranteed Profits for each of the years ended 31 December 2021 and 31 December 2022 and the Group has been enforcing the remedies pursuant to the Capital Injection Agreement, the details of which are set out above in this announcement.

Internal Control Measures

The Company attaches great importance to good corporate governance and effective internal controls. To prevent similar misstatements in the Company’s publication in the future, the Company will implement the following enhanced internal control measures:

- (i) Front line staffs (“**Designated Staffs**”) will be designated to oversee the status of each notifiable and/or connected transaction under the Listing Rules containing profit guarantee or post-completion performance guarantee provisions, keep documentation on relevant follow-up processes, and directly report to the Hong Kong office on a quarterly basis;
- (ii) To strengthen the coordination and reporting arrangements, another staffs in the Hong Kong office who are responsible for overseeing the Company’s compliance with the Listing Rules will be responsible to supervise the Designated Staffs, cross-checking the periodic reports and ensure that necessary disclosures have been made;
- (iii) There will be an increase in manpower involved in the preparation of periodic disclosures of the Company, including any future annual report and result announcements, to ensure such disclosure is supported by evidence and compliant with the Listing Rules. Additional manpower will be allocated for identifying and organising the necessary information, and other personnel will be responsible for reviewing and cross-checking such information, and this segregation of duties shall enhance internal communication and ensure accuracy; and
- (iv) Further, the Company will provide training to the relevant front line staff (including the Designated Staffs) regarding the disclosure requirements under the Listing Rules, in order to familiarise them with ongoing compliance obligations.

Views of the Board and the Audit Committee

Since the misstatement in the annual reports of the Company for the years ended 31 December 2021 and 2022 stem from insufficient manpower and communication, the board (the “**Board**”) of directors of the Company and the audit committee of the Company (the “**Audit Committee**”) is of the view that based on the enhanced measures described above, there will be a more efficient communication and supervision system put in place to ensure the accuracy of information disclosed by the Company.

Accordingly, the Board and the Audit Committee is of the view that the internal control measures are adequate and effective, and the Company will continue implementing such measures to discharge its duties under the Listing Rules.

Share Award Plan

The Company would also like to supplement the below information in respect of the share award plan of the Company under the Report of the Directors in the annual report of the Company for the financial year ended 31 December 2022 (the “**FY2022 Annual Report**”). Unless otherwise defined herein, capitalised terms used in this section headed “Share Award Plan” shall have the same meanings as those defined in the FY2022 Annual Report and the announcement of the Company dated 29 December 2020.

The Company has adopted a share award plan (the “**Share Award Plan**”) on 29 December 2020 to recognise and reward the contribution of certain eligible participants towards the growth and development of the Group through an award of Shares.

On 14 April 2022, a trust deed was entered into between the Company as settlor and Zedra Asia Limited as an independent trustee (the “**Trustee**”) in relation to the management of the Share Award Plan and the establishment of a trust.

The Appraisal Committee may, in its absolute discretion, make an award to any employee (whether full-time or part-time) of the Group, including Directors, senior management and any other connected persons of the Company and any consultant of the Group (the “**Participant(s)**”), but excluding any Director or employee, executives or officer or consultant of the Company or any of its subsidiaries who is resident in a place where the vesting of any Share in such Director, employee, executive or officer or consultant pursuant to the terms of the Share Award Plan is not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Director, employee, executive or officer or consultant.

The eligibility of any of the Participants to an award shall be determined by the Appraisal Committee from time to time on the basis of its opinion as to the Participant’s contribution towards the development and growth of the Group.

The Appraisal Committee may, subject to and in accordance with the provisions of the Share Award Plan, at any time during the continuation of the Share Award Plan, make an award to any of the Participants of such number of Shares, as the Appraisal Committee shall determine pursuant to the Share Award Plan. Notwithstanding the power of the Appraisal Committee, the Remuneration Committee is delegated with an overriding power in determining or supervising the making of any award.

Pursuant to the Share Award Plan, the Appraisal Committee may at any time notify and instruct the Trustee to purchase Shares on the Stock Exchange at such price range as the Appraisal Committee deems appropriate, to satisfy the awarded Shares for allocation to the selected Participants.

The total number of Shares which may be purchased by the Trustee under the Share Award Plan shall not exceed 3% (i.e., 75,632,453 Shares, representing approximately 3% of the total issued Shares as at the date of the FY2022 Annual Report) of the total issued shares of the Company on the Adoption Date. The accumulated number of Shares which may be awarded to a selected Participant under the Share Award Plan shall not exceed 1% of the issued share capital of the Company from time to time.

Since the Adoption Date and up to the date of the FY2022 Annual Report (i.e. 29 March 2023), a total of 60,500,000 Shares had been awarded under the Share Award Plan, representing about 2.40% of the issued share capital of the Company as at the Adoption Date and the date of the FY2022 Annual Report. The total number of Shares which is available for being further awarded under the Share Award Plan as at 1 January 2022 and 31 December 2022 (i.e., 15,132,453 Shares) represents approximately 0.6% of the issued share capital of the Company as at 29 March 2023. There are 42,350,000 unvested awarded Shares under the Share Award Plan which represents 1.7% of the issued share capital of the Company as at the date of the FY2022 Annual Report.

The Share Award Plan does not specify a minimum vesting period. The Trustee shall transfer to and vest in any selected Participant(s) the legal and beneficial ownership of the awarded Shares within 10 business days after the latest of: (a) the earliest date on which the Trustee may vest the legal and beneficial ownership of the awarded Shares with the relevant selected Participant as specified in the award notice; (b) the date on which the condition(s) or performance target(s) (if any) to be attained by such selected Participant as specified in the related award notice have been attained and notified to the Trustee by the Appraisal Committee in writing; and (c) where applicable, the date on which the Trustee has completed the purchase of Shares for the purpose of making the relevant award.

As the Share Award Plan is a share award plan of the Company instead of a share option scheme, the awards granted under the Share Award Plan are not subject to any exercise period.

The Share Award Plan does not specify any amount payable on acceptance of the award.

As at 31 December 2022, there were 1,870,000 Shares held in trust under the Share Award Plan.

Subject to any early termination pursuant to the terms of the Share Award Plan, the Share Award Plan shall remain valid and effective for a period of six years commencing from the Adoption Date (i.e. 29 December 2020). As at 29 March 2023, the remaining life of the Share Award Plan is approximately 3 years and 9 months.

The following are details of the awards granted pursuant to the Share Award Plan during the year ended 31 December 2022:

Grantee and position	Date of grant of awards (the "Date of Grant")	Exercise price payable to the Company upon vesting (HK\$ per awarded Share)	Number of unvested awards as at 1 January 2022	Number of awards granted during the year	Number of awards vested during the year	Number of awards cancelled during the year	Number of awards lapsed during the year	Number of unvested awards as at 31 December 2022
<i>Directors</i>								
Mr. Zheng Qingtao (resigned on 26 April 2023)	29 December 2020 ¹	0.79	1,600,000	–	480,000 ²	–	–	1,120,000
Mr. Liu Hongwei	29 December 2020 ¹	0.79	1,500,000	–	450,000 ²	–	–	1,050,000
Mr. Chen Fushan	29 December 2020 ¹	0.79	1,400,000	–	420,000 ²	–	–	980,000
Mr. Wang Dongwei	29 December 2020 ¹	0.79	1,400,000	–	420,000 ²	–	–	980,000
Mr. Xie Wen (resigned on 21 May 2023)	29 December 2020 ¹	0.79	1,400,000	–	420,000 ²	–	–	980,000
<i>Three highest paid individuals (excluding Mr. Liu Hongwei and Mr. Wang Dongwei)</i> ⁵	29 December 2020 ¹	0.79	1,300,000	–	390,000 ³	–	–	910,000
<i>Other grantees</i>								
Other employees of the Group (114 individuals)	29 December 2020 ¹	0.79	51,900,000	–	15,570,000 ⁴	–	–	36,330,000
Total			60,500,000	–	18,150,000	–	–	42,350,000

Notes:

- (1) On 29 December 2020, an aggregate of 60,500,000 awarded Shares were granted to the selected Participants. The closing price of the Shares immediately before the date of grant of such awarded Shares was HK\$0.79. Subject to the satisfaction of the relevant conditions and/or performance target(s) specified by the Appraisal Committee, the awarded Shares shall be vested in the selected Participants during the period and in the respective proportions as follows:

Vesting period	% of the awarded Shares to be vested
Commencing from the first trading day after the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant	30
Commencing from the first trading day after the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant	30
Commencing from the first trading day after the 48-month period from the Date of Grant and ending on the last trading day of the 60-month period from the Date of Grant	40

- (2) The weighted average closing price of the Shares immediately before the dates on which the awarded Shares were vested to Mr. Zheng Qingtao, Mr. Liu Hongwei, Mr. Chen Fushan, Mr. Wang Dongwei and Mr. Xie Wen was HK\$0.91.
- (3) The weighted average closing price of the Shares immediately before the dates on which the awarded Shares were vested to the three highest paid individuals (excluding Mr. Liu Hongwei and Mr. Wang Dongwei) was HK\$0.91.
- (4) The weighted average closing price of the Shares immediately before the dates on which the awarded Shares were vested to the other selected employees of the Group was HK\$0.91.
- (5) Two of the five highest paid individuals during 2022 was Mr. Hongwei and Mr. Wang Dongwei, whose interest in the awarded Shares is disclosed under the “Directors” section of the above table.

During the year ended 31 December 2022, no share option nor award was granted by the Company. Accordingly, the number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended 31 December 2022 divided by the weighted average number of Shares in issue for the year ended 31 December 2022 is therefore not applicable.

The supplemental information in this announcement does not affect other information contained in the FY2022 Annual Report. Save as disclosed in this announcement, the remaining content of the FY2022 Annual Report remains unchanged.

By order of the Board
China Shuifa Singyes Energy Holdings Limited
Wang Dongkai
Chairman

Hong Kong, 10 July 2023

As at the date of this announcement, the executive Directors are Mr. Wang Dongkai (Chairman), Mr. Wang Dongwei (Vice Chairman) and Mr. Chen Fushan, the non-executive Directors are Mr. Liu Hongwei, 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.