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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)

CONTINUING CONNECTED TRANSACTION IN RELATION TO ENTERING INTO THE EPC GENERAL CONTRACTING SERVICE FRAMEWORK AGREEMENT

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



EPC GENERAL CONTRACTING SERVICE FRAMEWORK AGREEMENT

On 5 November 2024, the Company and Shuifa Group Company entered into the EPC General Contracting Service Framework Agreement, whereby, the Group shall contract certain EPC and related services from Shuifa Group for the period from 5 November 2024 to 31 December 2026.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shuifa Group Company is the controlling shareholder of the Company holding approximately 74.09% of the total issued shares. Therefore, Shuifa Group Company is a connected person of the Company. Accordingly, the transactions under the EPC General Contracting Service Framework Agreement constitute the continuing connected transactions of the Company. As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the EPC General Contracting Service Framework Agreement exceed 5% on an annual basis, the EPC General Contracting Service Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider whether the terms of the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder, and the annual caps for the period from 1 January 2024 to 31 December 2026 are fair and reasonable, and are conducted in the ordinary and usual course of business of the Company on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the SGM. Donvex Capital Limited has been appointed by the Company as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare relevant information to be included in the circular, a circular containing, among other things, (i) further details of the transactions contemplated under the EPC General Contracting Service Framework Agreement; (ii) the recommendations of the Independent Board Committee in connection with the EPC General Contracting Service Framework Agreement; (iii) the advice of the Independent Financial Advisor in connection with the EPC General Contracting Service Framework Agreement; and (iv) a notice convening the SGM is expected to be despatched to the shareholders on or before 6 December 2024.

EPC GENERAL CONTRACTING SERVICE FRAMEWORK AGREEMENT

On 5 November 2024, the Company and Shuifa Group Company entered into the EPC General Contracting Service Framework Agreement, whereby, the Group shall contract certain EPC and related services from Shuifa Group for the period from 5 November 2024 to 31 December 2026.

The principal terms of the EPC General Contracting Service Framework Agreement are set out as follows:

Date

5 November 2024

Term

From 5 November 2024 to 31 December 2026

Parties

- (i) the Company; and
- (ii) Shuifa Group Company (on behalf of Shuifa Group)

Subject Matter

The Group shall contract various EPC and related services from Shuifa Group, including

1. EPC general contracting and subcontracting of new energy projects, which refers to the general contracting construction of photovoltaic power projects, wind power projects and energy storage power plant projects, including but not limited to: topographic surveying and mapping, site exploration, preliminary design, construction drawing design, as-built drawing design, technical support for designs of projects and other services relating to exploration designs; procurement and supply, transportation and storage, supervision and third party detection services for all equipment and materials included in the project designs; construction, project management, insurance, commissioning, trial operation, acceptance, warranty, training, handover of civil engineering, electrical equipment installation projects, line projects, reinforcement and renovation projects, supporting auxiliary projects and other projects; services including conducting compliance procedures within the general contracting scope such as grid connection, power quality evaluation, lightning protection detection and special acceptance, fire protection acceptance of projects.
2. Green construction and curtain wall construction, including but not limited to: deepening design for curtain wall projects to ensure the project quality and system security; construction within the scope of curtain wall projects and green construction projects; deepening design and construction of lightning protection grounding related to curtain wall; erection of construction scaffolding, ladder truck, construction basket, working platform and other operating facilities required within the contracting scope; inspection of the relevant materials and the test of four properties involved in the contracting scope; curtain wall drenching test; filling in and sorting data of projects within the contracting scope; work related to energy-saving acceptance; formulation and implementation a scheme for the maintenance, overhaul and replacement of curtain walls; cooperation with other units (such as floodlighting and fine decoration units).
3. Other consulting and management services, mainly including the procedures entrusted or requested by Shuifa Group, coordination of land acquisition and leasing, technical consulting, project management and other services.

Pricing Policy

The following pricing principles shall apply to the pricing of services contemplated under the EPC General Contracting Service Framework Agreement:

Shuifa Group determines the total contract price by way of public tenders. Shuifa Group conducts public tendering for specific project to be constructed. The Group will provide quotation on the basis of all costs of raw materials, labours, management and finance required by the project construction, together with reasonable market-oriented profit while Shuifa Group shall determine the successful tenderer and tender price in an open, impartial and fair manner in accordance with the Tendering and Bidding Law of the PRC and relevant laws and regulations.

The final price shall be determined after arms' length negotiations and on normal commercial terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Payment Terms

The payment method is determined on the basis of the condition of the service site, the service progress and technical standard of services. The details of payment terms shall be defined in the specific agreements.

For transactions which are priced through the way of tendering, the payment terms shall be disclosed to all potential bidders (including connected persons and independent third parties) in the tender documents. After the successful tenderer is determined, both parties will determine the specific payment method according to the payment terms set out in the tender documents. Payment methods are determined on normal commercial terms, are fair and reasonable, and shall be the same regardless of whether the successful tenderer is a connected person or an independent third party.

Conditions Precedent

The EPC General Contracting Service Framework Agreement is conditional upon the fulfillment of following conditions:

1. each of the Company and Shuifa Group Company has officially signed the EPC General Contracting Service Framework Agreement and affixed its seal; and
2. the Company has complied with the relevant requirements under the Listing Rules in relation to the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder, including but not limited to issuing an announcement and obtaining the approval from its Independent Shareholders in respect of the EPC General Contracting Service Framework Agreement.

ANNUAL CAPS AND ITS BASIS OF DETERMINATION

Having considered the following factors, the Directors propose that the annual caps for the EPC General Contracting Service Framework Agreement for the three years ending 31 December 2026 shall be as follows:

	For the year ending 31 December		
	2024 (RMB)	2025 (RMB)	2026 (RMB)
Annual caps (contract amounts)	1,000,000,000	1,200,000,000	1,500,000,000

In determining the annual caps for the EPC General Contracting Service Framework Agreement, the Directors have taken into consideration various factors, including: (i) with reference to the impact of the contract signing time and performance progress on the expense recognition, it will take approximately six months up to one year to complete the construction projects; (ii) the construction and maintenance plans for various projects of Shuifa Group in the next three years (to the best knowledge of the Company, Shuifa Group will carry out 8 to 10 engineering projects and it is expected that the Group will participate in most of the projects bidding) and its business development plan, including projects as contemplated under the letter of intent for strategic cooperation with governments at all levels, as well as the expected demands of Shuifa Group; and (iii) the relevant buffer (i.e. approximately 10%) reserved to cope with potential increase in the relevant demands of Shuifa Group, as well as estimated increase in average market prices for similar services due to inflation and expected increase in costs.

HISTORICAL TRANSACTION AMOUNT

The Group has no previous transactions similar to those contemplated under the EPC General Contracting Service Framework Agreement with Shuifa Group. Therefore, there is no historical amount in respect of the transactions under the EPC General Contracting Service Framework Agreement as at the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EPC GENERAL CONTRACTING SERVICE FRAMEWORK AGREEMENT

According to the business direction and development strategy of the Group, the clean energy segment is one of the major development directions. The Group has advantages and qualifications in project construction experience, technologies, market position, personnel and other perspectives. Based on the excellent track record of the Group in providing EPC services and the reliable quality of engineering and construction services, the project construction quality can be guaranteed to be higher than the average level of third party units if the new energy projects of Shuifa Group were undertaken by the Group. Undertaking Shuifa Group's EPC services by the Group is normal business transaction, which is in line with the actual operation and development needs of the Company, and at the same time follows the market pricing principle. The transaction price is fair and reasonable, which is

conducive to ensuring the efficient and orderly project development, improving the efficiency of capital operation, and reducing operating costs for projects undertaken by the Company. The Group has a management team with qualifications and good construction technologies fit for project construction and the team has stellar performances and experiences, and can provide convenient services with proven track records of contract performances, which is conducive to advancing the progress of Shuifa Group's construction projects and improving the Company's benefits. In addition, the Group also has the capability to effectively manage and control its subcontractors. The Group participated in the formulation of a series of national, industry and local energy standards in terms of clean energy industry, invested in and undertook clean energy projects, therefore creating a competitive advantage that is difficult to be imitated by competitors.

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the shareholders) consider that the EPC General Contracting Service Framework Agreement is entered into in the ordinary and usual course of business of the Group and the terms of the EPC General Contracting Service Framework Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, and that the annual caps and the terms of the EPC General Contracting Service Framework Agreement stated in this announcement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROL PROCEDURES

The Group has adopted the following internal control procedures to standardize and specify pricing policies, mechanism, terms of reference, and decision-making agencies so that the continuing connected transactions are conducted in accordance with the framework agreement and in strict compliance with the relevant pricing policies.

In particular, with respect to the continuing connected transactions under the EPC General Contracting Service Framework Agreement and the annual caps, the applicable guiding principles and the relevant internal control procedures are as follows:

- (i) after the EPC General Contracting Service Framework Agreement was proposed and reported by the department responsible for connected transactions, the Directors of the Company (including independent non-executive Directors) reviewed the necessity and reasonableness of the connected transactions and fairness of pricing, and considered that the transaction terms are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole;
- (ii) the finance department of the Company will closely monitor and record actual contract amounts of the continuing connected transactions under the EPC General Contracting Service Framework Agreement to ensure the annual caps therein will not be exceeded;

- (iii) the relevant officers of the business department of the Company will conduct regular inspections to review and assess whether the transactions contemplated under the EPC General Contracting Service Framework Agreement proceed in accordance with the terms therein, so as to consider whether specific contract amounts are fair and reasonable and in compliance with the aforesaid pricing policies;
- (iv) the internal control and audit department of the Company will review the transactions under the EPC General Contracting Service Framework Agreement on a regular basis (i.e. at least twice a year), so as to (i) consider the effective implementation of the pricing policy and the payment method as well as the appraisal of the balance of the annual caps; (ii) identify management weakness, and make recommendations for improvement to ensure that the internal control measures in respect of the transactions under the EPC General Contracting Service Framework Agreement remain complete and effective and the Group will take measures to address the weakness identified, if any, as soon as practicable;
- (v) the Company will engage the auditor to carry out annual review on the continuing connected transactions (including but not limited to the relevant pricing policies and annual caps) every year in accordance with the requirement of Rule 14A.56 of the Listing Rules; and
- (vi) the independent non-executive Directors of the Company shall conduct annual review on the continuing connected transactions every year in accordance with the requirements of Rule 14A.55 of the Listing Rules.

Where the above proposed annual caps are exceeded, the EPC General Contracting Service Framework Agreement is renewed, or material changes take place, the Company will re-comply with the reporting, announcement, and Independent Shareholders' approval requirements pursuant to Rules 14A.35 to 14A.47 of the Listing Rules.

INFORMATION ON THE PARTIES TO THE EPC GENERAL CONTRACTING SERVICE FRAMEWORK AGREEMENT

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

Shuifa Group Company is principally engaged in water conservancy and supply, modern agriculture and clean energy business. As at the date of this announcement, Shuifa Group Company is the controlling shareholder of the Company indirectly holding 1,867,764,057 shares of the Company, representing approximately 74.09% of the issued share capital of the Company. 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* (中國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.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shuifa Group Company is the controlling shareholder of the Company holding approximately 74.09% of the total issued shares. Therefore, Shuifa Group Company is a connected person of the Company. Accordingly, the transactions under the EPC General Contracting Service Framework Agreement constitute the continuing connected transactions of the Company. As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the EPC General Contracting Service Framework Agreement exceed 5% on an annual basis, the EPC General Contracting Service Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ABSTAIN FROM VOTING ON BOARD RESOLUTIONS AND ABSTAIN FROM VOTING AT THE SGM

None of the Directors has material interest in the EPC General Contracting Service Framework Agreement and is required to abstain from voting on the Board resolution in relation to approving the EPC General Contracting Service Framework Agreement.

As Shuifa Group Company is interested in the EPC General Contracting Service Framework Agreement, Shuifa Group Company (the controlling shareholder of the Company holding approximately 74.09% equity interest in the Company) and its associates will abstain from voting on the resolution in relation to the EPC General Contracting Service Framework Agreement at the SGM. As at the date of this announcement, to the knowledge, information and belief of the Directors, other than Shuifa Group Company and its associates, no other shareholders would be required to abstain from voting at the SGM.

SGM

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider whether the terms of the EPC General Contracting Service Framework Agreement, the transactions contemplated thereunder, and the annual caps for the period from 5 November 2024 to 31 December 2026 are fair and reasonable, and are conducted in the ordinary and usual course of business of the Company on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the SGM. Donvex Capital Limited has been appointed by the Company as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

As additional time is required to prepare relevant information to be included in the circular, a circular containing, among other things, (i) further details of the transactions contemplated under the EPC General Contracting Service Framework Agreement; (ii) the recommendations of the Independent Board Committee in connection with the EPC General Contracting Service Framework Agreement; (iii) the advice of the Independent Financial Advisor in connection with the EPC General Contracting Service Framework Agreement; and (iv) a notice convening the SGM is expected to be despatched to the shareholders on or before 6 December 2024.

DEFINITIONS

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

“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EPC”	engineering, procurement and construction
“EPC General Contracting Service Framework Agreement”	the EPC general contracting service framework agreement dated 5 November 2024 entered into between the Company and Shuifa Group Company with respect to contracting certain EPC and related services
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Financial Adviser”	Donvex Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the EPC General Contracting Service Framework Agreement and proposed annual caps
“Independent Shareholders”	the shareholders of the Company, other than Shuifa Group and its associates
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting to be convened by the Company to consider and approve, among other things, the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shuifa Group”	subsidiaries of Shuifa Group Company (excluding the Group)
“Shuifa Group Company”	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* (中國山東省國有資產監督管理委員會)
“%”	per cent

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

Hong Kong, 5 November 2024

As at the date of this announcement, the executive Directors are Mr. Wang Jian (Chairman), Mr. Zhou Guangyan (Vice Chairman) and Mr. Chen Fushan, the non-executive Directors are Ms. Wang Suhui and Mr. Hu Xiao, and the independent non-executive Directors are Dr. Wang Ching, Mr. Yick Wing Fat, Simon and Dr. Tan Hongwei.

** For the identification purpose only*