水发
SHUIFA

China Shuifa Singyes Energy Holdings Limited

中國水發興業能源控股有限公司

CONTENTS

Pages

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

$

中國水發興業能源集團有限公司

華潤融資租賃有限公司

$

濟

南臨化投資合夥企業(有限合夥)

淄博臨熱新能源有限公司

淄博魯銀塑化有限公司

水發能源集團有限公司

山東省國有資產監督管理委員會

水發集團有限公司

淄博市臨淄熱電廠有限公司

淄博齊魯化學工業區熱力有限公司

山東水發清潔能源科技有限公司

In this circular, if there is any inconsistency between the Chinese names of 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 this circular, translations of RMB into HK$ are made in this circular, for illustration only, at the rate of HK$1.0 = RMB0.9. No representation is made that any amounts in RMB or HK$ could have been or could be converted at that rate or at any other rate.

Consideration

$

Instalment	Amount (*RMB*)	Due date

Letter from the Reporting Accountants

Conditions Precedent

Conditions precedent of the Vendor ("Vendor CPs")

Conditions precedent of the Purchaser ("Purchaser CPs")

Assignment of Rights, Profit Undertaking and Put Option

Three-Year

Shortfall

Completion

SHA

FINANCIAL EFFECTS OF THE ACQUISITION

INFORMATION ON THE VENDOR

山東省國有資產監督管理委員會

山東省社會保障基金理事會

INFORMATION ON THE TARGET COMPANY

Park

中國石油和化學工業聯合會

	PRC GAAP		
	For the six months ended 30 June 2020	For the financial year ended 31 December 2019	31 December 2018
	unaudited	*audited*	*audited*
	(RMB)	*(RMB)*	*(RMB)*

Note:

INFORMATION ON THE PURCHASER AND THE REASONS FOR AND BENEFITS OF THE ACQUISITION

LISTING RULES IMPLICATIONS

SGM

FURTHER INFORMATION

Shareholders and potential investors should note that completion of the Acquisition is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement and may or may not proceed. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

China Shuifa Singyes Energy Holdings Limited
Mr. Zheng Qingtao
Chairman

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 inclusion in this circular.

China Shui

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

II. THE INDEPENDENT BOARD COMMITTEE

III. OUR INDEPENDENCE

IV. BASIS OF OUR ADVICE

Management

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information of the Group

1.1 Background of the Group and the Purchaser

1.2 Financial information of the Group

2019 Annual Report

2020

Interim Results Announcement

	For the year ended 31 December		For the six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**4,416,563**	**3,306,519**	**1,148,380**	**1,979,730**
Gross profit/(loss)	**620,901**	**28,270**	**(61,144)**	**242,224**
Profit/(loss) attributable to owners of the Company	**(678,801)**	**(995,228)**	**(468,024)**	**217,580**

For the six months ended 30 June 2020 compared to the six months ended 30 June 2019

For the year ended 31 December 2019 compared to the year ended 31 December 2018

2. Overview of the economy and heat supply market in PRC

NBS 十三五規劃

	2015	2016	2017	2018	2019
(in millions)					
(in millions)					
(%)					

Source: NBS

3. Information of the Target Company

Park

PRC GAAP

	For the six months ended 30 June 2020	For the financial year ended 31 December 2019	31 December 2018 *(Note)*
	(unaudited)	*(audited)*	*(audited)*
	RMB	*RMB*	*RMB*
	-	-	-
	-	-	-

Note: The losses for the year ended 31 December 2018 were mainly attributable to expenses of staff hired incurred in anticipation of the acquisition of the pipeline network engaging in steam distribution operations.

4. Reasons for and benefits of the Acquisition

5. Principal terms of the Sale and Purchase Agreement

i. Date

ii. Parties:

湖南興業綠色能源股份有限公司

山東水發清潔能源科技有限公司

淄博齊魯化學工業區熱力有限公司

iii. Subject Matter

iv. Consideration

$

Instalment	Amount (RMB)	Due date

v. Conditions Precedent

vi. Assignment of Rights, Profit Undertaking and Put Option

Three-Year Shortfall

vii. Completion

viii. SHA

6. Assessment of the consideration

Valuation assumption and methodology

Valuation

Discount rate

WACC

Cash flow projection

Cash Flow Projection

《城鎮供熱管網設計規範》

Steam Supply Contract

Average Selling Price Schedule

Marketability discount

MD

Other assumptions

《「十三五」時期稅務系統全面推進依法治稅工作規劃》

Alternative assessment

Initial Criteria

Final Criteria

Comparable Companies

P/E

P/B

Stock code	Name of company	Principal business	P/B ratio *(Note 1)* *times*

Stock code	Name of company	Principal business	P/B ratio *(Note 1)* *times*
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]
		[illegible]	[illegible]

VI. OPINION AND RECOMMENDATION

Red Sun Capital Limited
Jimmy Chung
Managing Director

Mr. Jimmy Chung is a Responsible Officer of Red Sun Capital to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and permitted to undertake work as sponsor. He has over 20 years of experience in corporate finance industry in Greater China.

For identification purposes only

The following is extracted from the report prepared for the purpose of incorporation in this circular by Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 March 2020.

China Shuifa Singyes Energy Holdings Limited

Re: Valuation of 47.5% Equity Interest in 淄博齊 化學工業區 力有限公司

Company
淄博齊魯化學工業區熱力有限公司

Business Enterprise

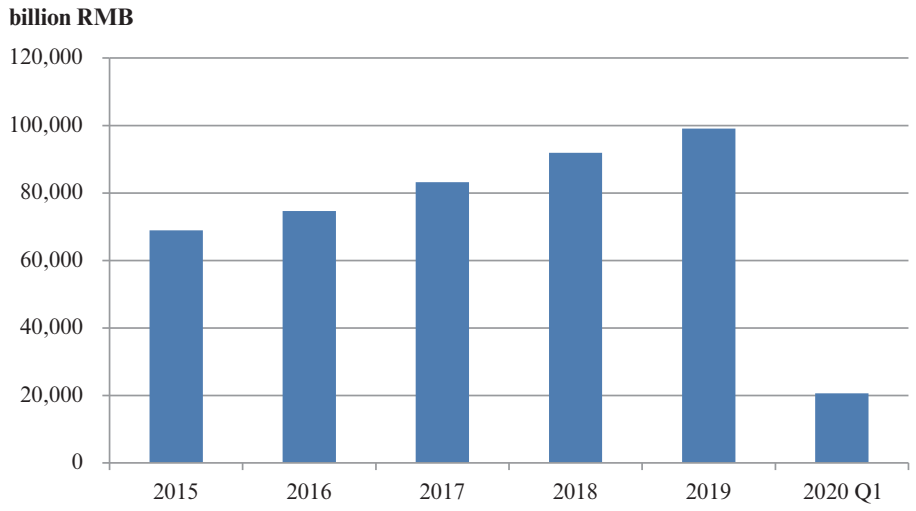
Date of Valuation

1. PURPOSE OF VALUATION

Roma Appraisals

2. SCOPE OF WORK

Figure 1 — China's Nominal GDP from 2015 to 2020 Q1

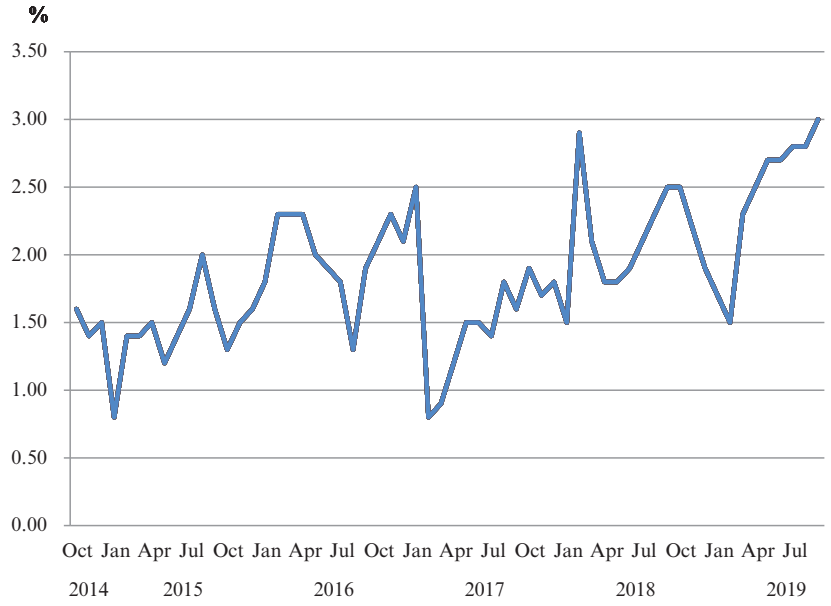


Source: National Bureau of Statistics of China

3.2 Inflation in China

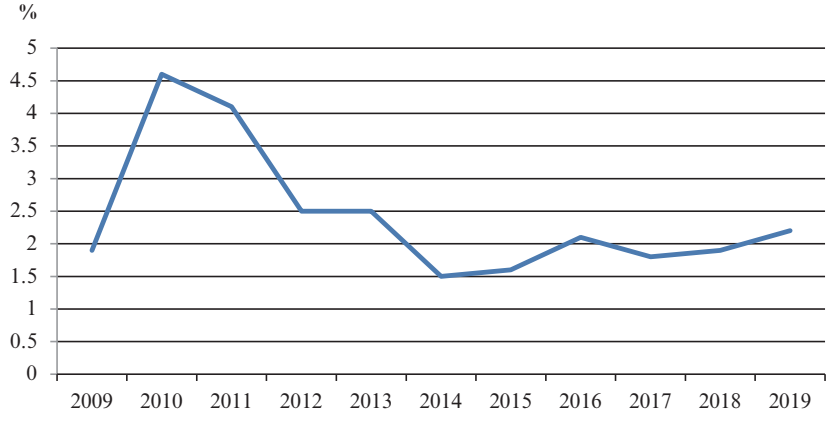
CPI

Figure 2 — Year-over-year Change in China's CPI from October 2014 to December 2019



Source: Bloomberg

Figure 3 — China's Inflation Rate from 2009 to 2019



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Overview of Heating Supply Industry in China

5. OVERVIEW OF THE BUSINESS ENTERPRISE

Steam Supply Contract 淄博市臨淄熱電廠有限公司 **電廠**

熱電廠

熱電廠

熱電廠

6. BASIS OF VALUATION

market value

7. INVESTIGATION

-
-
-
-
-
-
-

8. VALUATION METHODOLOGY

8.1 Market-Based Approach

8.2 Income-Based Approach

8.3 Asset-Based Approach

equity and long term debt

8.4 Business Valuation

8.4.1 Discounted Cash Flow

DCF

In which
PVCF = Present value of the expected free cash flows;
CF = Expected free cash flow;
r = Discount rate; and
n = Number of years.

WACC

In which
R_e = *Cost of equity;*
R_d = *Cost of debt;*
W_e = *Weight of equity value to enterprise value;*
W_d = *Weight of debt value to enterprise value; and*
T_c = *Corporate tax rate.*

8.4.2 Cost of Debt

8.4.3 Cost of Equity

CAPM

$\beta \times$

In which
R_e = *Cost of equity;*
R_f = *Risk-free rate; and*
β = *Beta coefficient.*

8.4.4 Discount Rate

-
-
-

Company Name	Stock Code	Listing Location	Business Description

Company Name	Stock Code	Listing Location	Business Description
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Source: Bloomberg

Notes:

[illegible]

Key Parameters	As at 31 March 2020
WACC	**13.70%**

Notes:

CAPM

8.4.5 Major Assumptions of Cash Flow Projection

8.4.5.1 Terms

蒸汽管網設計使用年限說明

熱電廠

8.4.5.2 Revenue and Cost

熱電廠

熱電廠

Year	2021	2022	2023	2024	2025 to 2039
Steam Supply Volume *('000 Ton)*					

熱電廠

熱電廠

8.4.5.3 Operating Expenses

8.4.5.4 Depreciation Expenses

8.4.5.5 Income Tax Expenses

8.4.5.6 Working Capital

8.4.5.7 Capital Expenditure

8.5 Marketability Discount

8.6 Summary of Business Enterprise Valuation

	As at 31 March 2020 *RMB*
100% Equity Interest of the Business Enterprise	**497,014,865**
100% Market Value of the Business Enterprise	**418,486,516**

9. MAJOR ASSUMPTIONS

-
-
-
-
-
-

- [illegible]
- [illegible]
- [illegible]

10. INFORMATION REVIEWED

[illegible]

- [illegible]
- [illegible] 淄博市淄熱電廠有限公司 [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]

[illegible]

11. LIMITING CONDITIONS

[illegible]

12. REMARKS

13. OPINION OF VALUE

The following Part A is extracted from a letter from Ernst & Young to the Company dated 11 September 2020 reproduced below for the purposes of incorporation in this circular.

A. Letter from the Reporting Accountants

REPORT ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF ZIBO QILU CHEMICAL INDUSTRY ZONE THERMAL CO., LTD.

Forecast

Target Company

Company

Announcement

Listing Rules

Directors' responsibilities

Directors

Assumptions

Our Independence and Quality Control

Code of Ethics for Professional Accountants

HKICPA

Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

Reporting Accountants' responsibilities

Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

Opinion

Ernst & Young
Certified Public Accountants

B. Confirmation letter from the Board

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 47.5% EQUITY INTEREST IN ZIBO QILU CHEMICAL INDUSTRY ZONE THERMAL CO., LTD.

Announcement

Valuation Report

Valuer

淄博齊魯化學工業區熱力有限公司

Target Company

China Shuifa Singyes Energy Holdings Limited
Zheng Qingtao
Chairman

1. RESPONSIBILITY STATEMENT

2. DISCLOSURE OF INTERESTS

Interest in the Company

Directors' and chief executive's interests in the Company

Model Code

NAME	COMPANY/ NAME OF ASSOCIATED CORPORATION	CAPACITY	TYPE OF INTEREST	NUMBER OF SHARES	APPROXIMATE % OF SHAREHOLDING *(NOTE 1)*

(Note 2)

Notes:

Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company

NAME OF SHAREHOLDER	CAPACITY	LONG POSITION/ SHORT POSITION	NUMBER OF SHARES	APPROXIMATE % OF ISSUED SHARE CAPITAL OF THE COMPANY *(NOTE 2)*
(Note 1)				
(Note 3)				
(Notes 3 and 4)				
(Notes 4 and 5)				
(Notes 5 and 6)				
(Notes 6 and 7)				
華融置業有限責 公司 *(Note 7 and 8)*				

NAME OF SHAREHOLDER	CAPACITY	LONG POSITION/ SHORT POSITION	NUMBER OF SHARES	APPROXIMATE % OF ISSUED SHARE CAPITAL OF THE COMPANY *(NOTE 2)*
中國華融資產管理股份有限公司 *(Note 8)*				
(Note 9)				
水發能源集團有限公司 *(Note 9 and 10)*				
水發集團有限公司 *(Note 10)*				

Notes:

華融置業有限責 公司

華融置業有限責 公司 **Huarong Real Estate**

中國

華融資產管理股份有限公司 **China Huarong Asset Management**

山東省國有資產監督管理委員會

3. DIRECTORS' SERVICE CONTRACTS

4. OTHER INTERESTS OF THE DIRECTORS

5. COMPETING INTERESTS

6. OTHER INTEREST OF THE SHAREHOLDERS

7. MATERIAL ADVERSE CHANGES

8. EXPERT'S QUALIFICATION AND CONSENT

NAME	QUALIFICATION

9. DOCUMENTS AVAILABLE FOR INSPECTION

Notes:

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