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DEFINITIONS

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

\$

源集團有限公司

中國水發興業能

質有限公司

華潤融資租

DEFINITIONS

\$

南臨化投資合夥企業(有限合夥)

濟

淄博臨熱新能源有限公司

淄博魯銀塑化有限公司

DEFINITIONS

	水發能源集團有限公司
會	山東省國有資產監督管理委員
	水發集團有限公司
電廠有限公司	淄博市臨淄熱
化學工業區熱力有限公司	淄博齊魯
清潔能源科技有限公司	山東水發

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.



LETTER FROM THE BOARD

Consideration

\$

Instalment	Amount	Due date
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(RMB)

Letter from the Reporting

Accountants

Conditions Precedent

Conditions precedent of the Vendor ("Vendor CPs")

Conditions precedent of the Purchaser ("Purchaser CPs")

LETTER FROM THE BOARD

Assignment of Rights, Profit Undertaking and Put Option

LETTER FROM THE BOARD

Shortfall

Three-Year

Completion

LETTER FROM THE BOARD

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

會

中國石油和化學工業聯合

LETTER FROM THE BOARD

LETTER FROM THE BOARD

PRC GAAP

For the six months ended	For the financial year ended	
30 June	31 December	31 December
2020	2019	2018
<i>unaudited</i>	<i>audited</i>	<i>audited</i>
<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>

LETTER FROM THE BOARD

Note:

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

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

SGM

LETTER FROM THE BOARD

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

LETTER FROM RED SUN CAPITAL

II. THE INDEPENDENT BOARD COMMITTEE

III. OUR INDEPENDENCE

LETTER FROM RED SUN CAPITAL

IV. BASIS OF OUR ADVICE

Management

LETTER FROM RED SUN CAPITAL

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information of the Group

1.1 Background of the Group and the Purchaser

LETTER FROM RED SUN CAPITAL

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
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
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

五規劃 十三

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

Source: NBS

LETTER FROM RED SUN CAPITAL

3. Information of the Target Company

Park

GAAP

PRC

For the six months ended	For the financial year ended	
	31 December 2019 <i>(audited)</i> RMB	31 December 2018 ^{<i>(Note)</i>} <i>(audited)</i> RMB
30 June 2020 <i>(unaudited)</i> 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

LETTER FROM RED SUN CAPITAL

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

源科技有限公司

山東水發清潔能

業區熱力有限公司

淄博齊魯化學工

iii. Subject Matter

LETTER FROM RED SUN CAPITAL

iv. Consideration

\$

Instalment	Amount (RMB)	Due date
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v. Conditions Precedent

LETTER FROM RED SUN CAPITAL

vi. Assignment of Rights, Profit Undertaking and Put Option

Three-Year Shortfall

LETTER FROM RED SUN CAPITAL

vii. Completion

viii. SHA

6. Assessment of the consideration

Valuation assumption and methodology

Valuation

Discount rate

WACC

LETTER FROM RED SUN CAPITAL

Cash flow projection

Cash Flow Projection

《城鎮供熱管網設計規範》

Contract

Steam Supply

Average Selling Price Schedule

LETTER FROM RED SUN CAPITAL

Marketability discount

MD

Other assumptions

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《「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

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Comparable Companies

P/B

P/E

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
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LETTER FROM RED SUN CAPITAL

VI. OPINION AND RECOMMENDATION

LETTER FROM RED SUN CAPITAL

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 淄博齊魯化學工業區熱力有限公司

Company

淄博齊魯化學工業區熱力有限公司

Business Enterprise

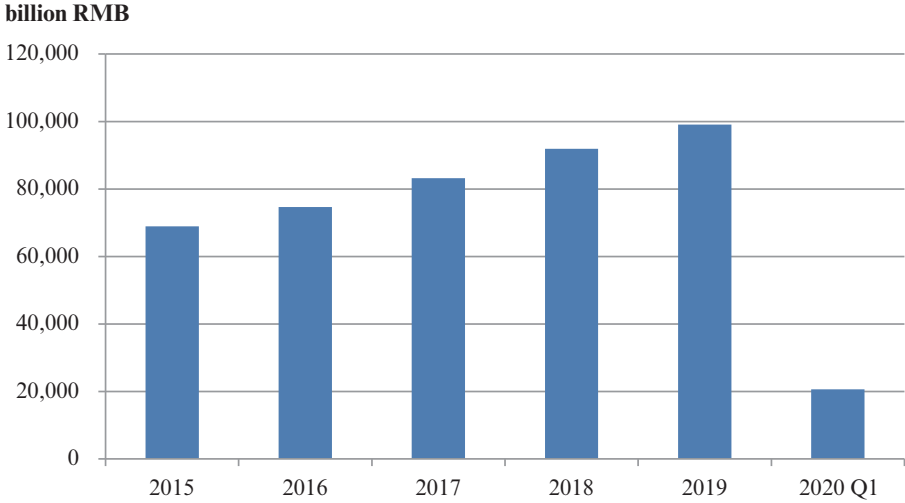
Date of Valuation

1. PURPOSE OF VALUATION

Roma Appraisals

2. SCOPE OF WORK

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

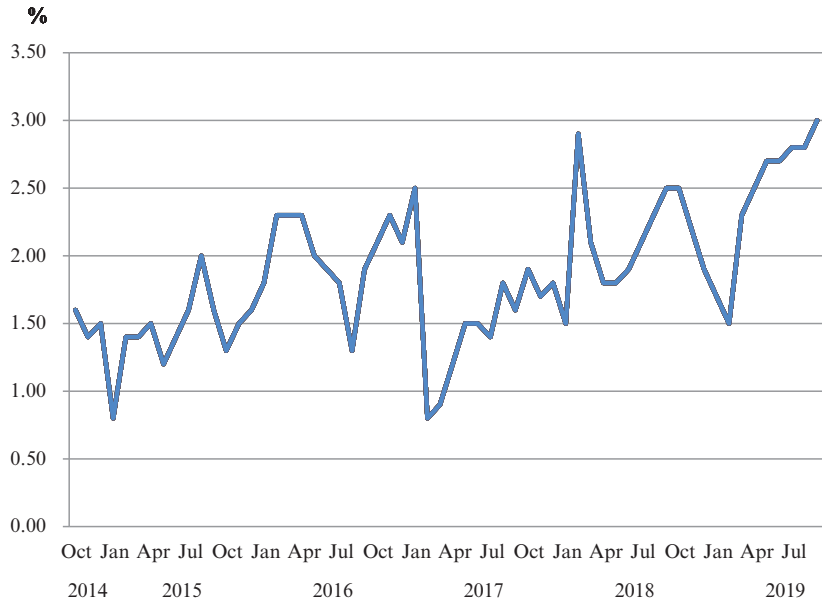


Source: National Bureau of Statistics of China

3.2 Inflation in China

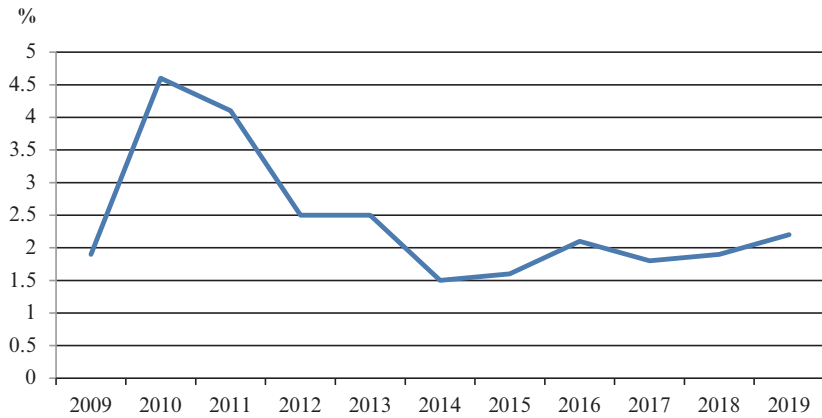
CPI

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

廠有限公司

Steam Supply Contract
電廠

淄博市臨淄熱電

熱電廠

熱電廠

廠

熱電

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

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Company Name	Stock Code	Listing Location	Business Description
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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

廠 熱電

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

	<i>As at</i> 31 March 2020 <i>RMB</i>
	<hr/>
100% Equity Interest of the Business Enterprise	497,014,865
100% Market Value of the Business Enterprise	<u>418,486,516</u>

9. MAJOR ASSUMPTIONS

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10. INFORMATION REVIEWED

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熱電廠有限公司

淄博市淄

-

-

-

-

-

11. LIMITING CONDITIONS

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		
<i>Ethics for Professional Accountants</i>		<i>Code of</i>
HKICPA		
		<i>Quality Control for Firms</i>
<i>that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>		

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)
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(Note 2)

Notes:

NAME OF SHAREHOLDER	CAPACITY	LONG POSITION/ SHORT POSITION	NUMBER OF SHARES	APPROXIMATE % OF ISSUED SHARE CAPITAL OF THE COMPANY (NOTE 2)
華融資產管理股份有限公司 (Note 8)	中國			
(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:

華融置業有限責任公司
華融置業有限責任公司 **Huarong Real Estate**

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

中國

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



NOTICE OF SGM

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.