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## DEFINITIONS

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

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源集團有限公司 中國水發興業能

質有限公司 華潤融資租

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## DEFINITIONS

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§

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



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## DEFINITIONS

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|             |               |
|-------------|---------------|
|             | 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      |
| 電廠有限公司      | 淄博市臨淄熱        |
|             | 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.*







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**LETTER FROM THE BOARD**

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**Consideration**

\$

| <b>Instalment</b> | <b>Amount</b> | <b>Due date</b> |
|-------------------|---------------|-----------------|
|-------------------|---------------|-----------------|

*(RMB)*

**Accountants**

**Letter from the Reporting**

## **Conditions Precedent**

Conditions precedent of the Vendor ("Vendor CPs")

Conditions precedent of the Purchaser ("Purchaser CPs")

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## LETTER FROM THE BOARD

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**Assignment of Rights, Profit Undertaking and Put Option**

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**LETTER FROM THE BOARD**

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**Shortfall**

**Three-Year**

**Completion**

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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**LETTER FROM THE BOARD**

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**PRC GAAP**

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



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## LETTER FROM THE BOARD

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*Note:*

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

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

## SGM

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## LETTER FROM THE BOARD

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### 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*



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**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*



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## LETTER FROM RED SUN CAPITAL

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### II. THE INDEPENDENT BOARD COMMITTEE

### III. OUR INDEPENDENCE



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## LETTER FROM RED SUN CAPITAL

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### IV. BASIS OF OUR ADVICE

#### Management

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## LETTER FROM RED SUN CAPITAL

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### V. PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Information of the Group

##### 1.1 Background of the Group and the Purchaser

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## LETTER FROM RED SUN CAPITAL

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### 1.2 Financial information of the Group

| <b>Interim Results Announcement</b>                        | <b>2019 Annual Report</b> |                  | <b>2020</b>             |                  |
|--|---------------------------|------------------|-------------------------|------------------|
|  | <b>For the year ended</b> |                  | <b>For the</b>          |                  |
|  | <b>31 December</b>        |                  | <b>six months ended</b> |                  |
|  | <b>2018</b>               | <b>2019</b>      | <b>2019</b>             | <b>2020</b>      |
|  | <i>RMB'000</i>            | <i>RMB'000</i>   | <i>RMB'000</i>          | <i>RMB'000</i>   |
| <b>Revenue</b>   | <b>4,416,563</b>          | <b>3,306,519</b> | <b>1,148,380</b>        | <b>1,979,730</b> |
| <b>Gross profit/(loss)</b>                                 | <b>620,901</b>            | <b>28,270</b>    | <b>(61,144)</b>         | <b>242,224</b>   |
| <b>Profit/(loss) attributable to owners of the Company</b> | <b>(678,801)</b>          | <b>(995,228)</b> | <b>(468,024)</b>        | <b>217,580</b>   |

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

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**LETTER FROM RED SUN CAPITAL**

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**3. Information of the Target Company**

**Park**

**GAAP**

**PRC**

| <b>For the six<br/>months ended</b> | <b>For the financial year ended</b> |                               |
|-------------------------------------|-------------------------------------|-------------------------------|
| <b>30 June</b>                      | <b>31 December</b>                  | <b>31 December</b>            |
| <b>2020</b>                         | <b>2019</b>                         | <b>2018 <sup>(Note)</sup></b> |
| <i>(unaudited)</i>                  | <i>(audited)</i>                    | <i>(audited)</i>              |
| <i>RMB</i>                          | <i>RMB</i>                          | <i>RMB</i>                    |

*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**

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## LETTER FROM RED SUN CAPITAL

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### 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



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## LETTER FROM RED SUN CAPITAL

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iv. Consideration

\$

| <b>Instalment</b> | <b>Amount</b><br><i>(RMB)</i> | <b>Due date</b> |
|-------------------|-------------------------------|-----------------|
|-------------------|-------------------------------|-----------------|

v. Conditions Precedent

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**LETTER FROM RED SUN CAPITAL**

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vi. Assignment of Rights, Profit Undertaking and Put Option

**Three-Year Shortfall**

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## LETTER FROM RED SUN CAPITAL

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vii. Completion

viii. SHA

**6. Assessment of the consideration**

Valuation assumption and methodology

**Valuation**

Discount rate

**WACC**

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**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**



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## LETTER FROM RED SUN CAPITAL

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Marketability discount

**MD**

Other assumptions



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## LETTER FROM RED SUN CAPITAL

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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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**LETTER FROM RED SUN CAPITAL**

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**Comparable Companies**

**P/B**

**P/E**

**Stock code**

**Name of company**

**Principal business**

**P/B ratio**  
*(Note 1)*  
*times*

| <b>Stock code</b> | <b>Name of company</b> | <b>Principal business</b> | <b>P/B ratio</b><br><i>(Note 1)</i><br><i>times</i> |
|-------------------|------------------------|---------------------------|---|
|-------------------|------------------------|---------------------------|---|

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## LETTER FROM RED SUN CAPITAL

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### VI. OPINION AND RECOMMENDATION

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**LETTER FROM RED SUN CAPITAL**

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**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**

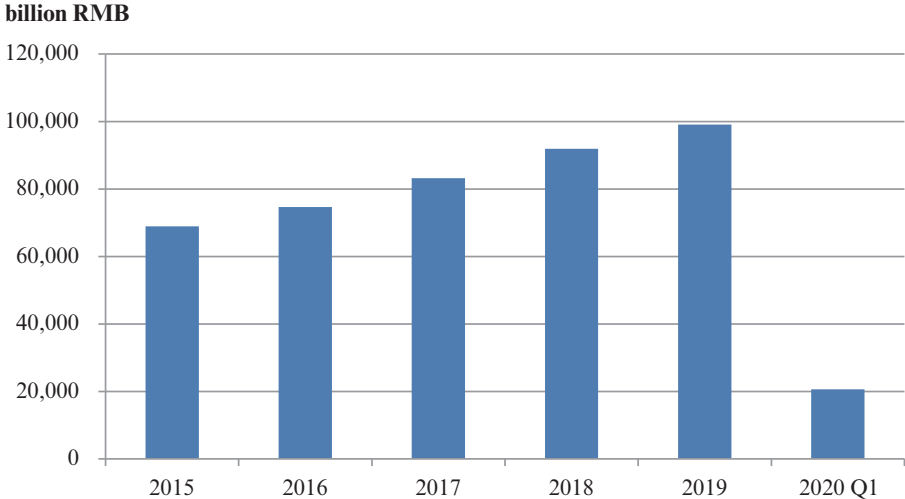
**Date of Valuation**

**1. PURPOSE OF VALUATION**

**Roma Appraisals**

## **2. SCOPE OF WORK**

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



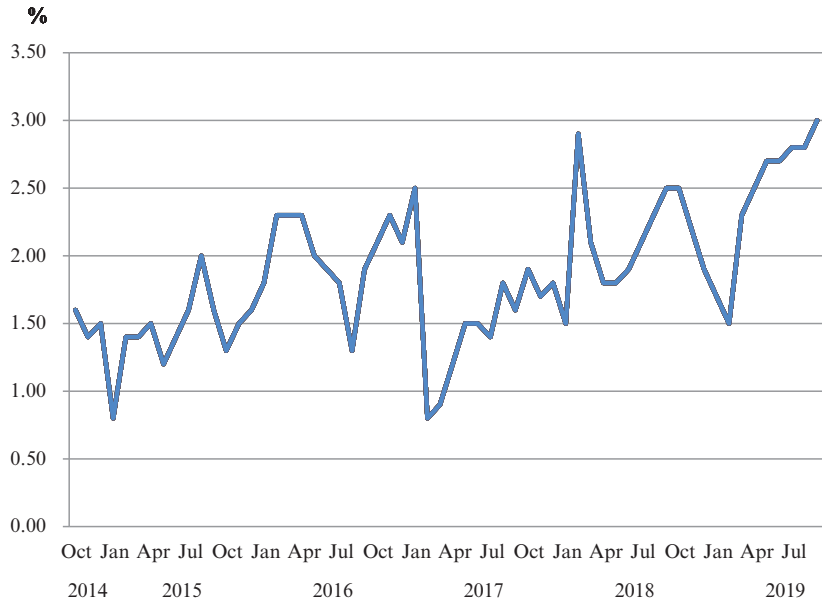
Source: National Bureau of Statistics of China

3.2 Inflation in China

CPI

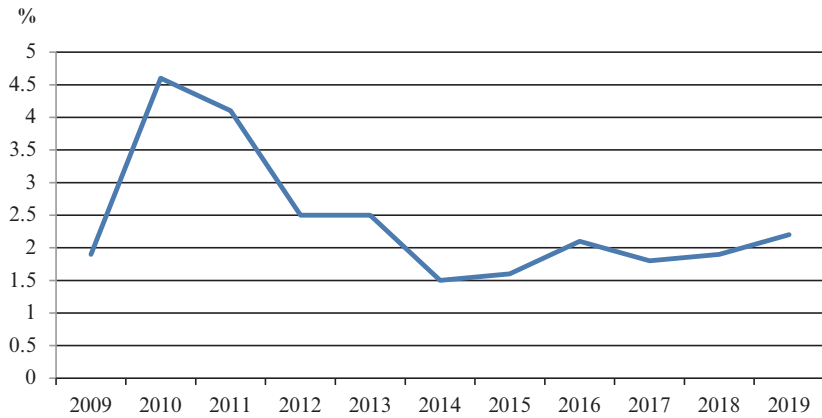


Figure 2 — Year-over-year Change in China’s CPI from October 2014 to December 2019



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

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## **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**

$$- \quad \beta \times$$

*In which*

$R_e$  = *Cost of equity;*

$R_f$  = *Risk-free rate; and*

$\beta$  = *Beta coefficient.*

### 8.4.4 Discount Rate

•

•

•

| <b>Company Name</b> | <b>Stock Code</b> | <b>Listing<br/>Location</b> | <b>Business Description</b> |
|---------------------|-------------------|-----------------------------|-----------------------------|
|---------------------|-------------------|-----------------------------|-----------------------------|

| <b>Company Name</b> | <b>Stock Code</b> | <b>Listing Location</b> | <b>Business Description</b> |
|---------------------|-------------------|-------------------------|-----------------------------|
|---------------------|-------------------|-------------------------|-----------------------------|

*Source: Bloomberg*

*Notes:*



**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 |
|---|------|------|------|------|--------------|
| <b>Steam Supply Volume</b><br>( '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**

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

**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

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## 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**

*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/<br>NAME OF<br>ASSOCIATED<br>CORPORATION | CAPACITY | TYPE OF<br>INTEREST | NUMBER OF<br>SHARES | APPROXIMATE<br>% OF<br>SHAREHOLDING<br>(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<br>POSITION/<br>SHORT<br>POSITION | NUMBER OF<br>SHARES | APPROXIMATE<br>% OF ISSUED<br>SHARE<br>CAPITAL<br>OF THE<br>COMPANY<br>(NOTE 2) |
|---------------------|----------|--|---------------------|---|
|                     |          |  |                     | (Note 1)  |
|                     |          |  |                     | (Note 3)  |
|                     |          |  |                     | (Notes 3 and 4)   |
|                     |          |  |                     | (Notes 4 and 5)   |
|                     |          |  |                     | (Notes 5 and 6)   |
|                     |          |  |                     | (Notes 6 and 7)   |
| 華融置業有限責任公司          |          |  |                     | (Note 7 and 8)  |

| NAME OF SHAREHOLDER | CAPACITY | LONG<br>POSITION/<br>SHORT<br>POSITION | NUMBER OF<br>SHARES | APPROXIMATE<br>% OF ISSUED<br>SHARE<br>CAPITAL<br>OF THE<br>COMPANY<br>(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**



China Shuifa Singye

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## NOTICE OF SGM

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*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.*