



**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)**

*Executive Directors:*

Mr. Wang Jian (*Chairman*)  
Mr. Zhou Guangyan (*Vice-Chairman*)  
Mr. Chen Fushan

*Non-executive Director:*

Ms. Wang Suhui  
Mr. Hu Xiao

*Independent Non-executive Directors:*

Dr. Wang Ching  
Mr. Yick Wing Fat, Simon  
Dr. Tan Hongwei

*Registered office:*

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Hong Kong

9 December 2024

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the announcement of the Company dated 5 November 2024 in relation to, inter alia, the EPC General Contracting Service Framework Agreement.

The purpose of this circular is to provide the Shareholders with, inter alia, (i) details of the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the IBC regarding the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder; (iii) the advice of the IFA to the IBC and the Independent Shareholders in respect of the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder; and (iv) a notice of the SGM, at which an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, approve the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder.

## **EPC GENERAL CONTRACTING SERVICE FRAMEWORK AGREEMENT**

The principal terms of the EPC General Contracting Service Framework Agreement are summarised 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, lightening 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 lightening 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 related to the projects to be entered into between Shuifa Group and the Group pursuant to the EPC General Contracting Service Framework Agreement, 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.

In determining the quotation amount for tenders to be submitted by relevant member of the Group to the Shuifa Group for projects contemplated under the EPC General Contracting Service Framework Agreement:

- (i) the market department will review the tender document in detail and prepare a preliminary assessment on the suitability of the project based on factors including but not limited to:
  - (a) the scale, complexity and specifications of the project, nature and amount of works to be performed, the capacity of the Group and other technical project requirements;
  - (b) the likelihood of the project being awarded to the Group;
  - (c) the fee and profit level in the market for projects of similar nature; and
  - (d) the level of risks involved in the project and the services to be provided;

- (ii) based on the assessment result conducted by it, the market department will determine whether the Group should participate the tender of the relevant project. If so, tender working group will be established thereafter;
- (iii) the tender working group will set the quotation or tender price with reference to the preliminary assessed project cost compiled by the cost control department based on quotations from suppliers and subcontractors, plus a profit margin in the range of 7% to 8% according to the nature and scope of work;
- (iv) the market department will review the quotation or tender price set by the tender working group with reference to the prevailing market price charged by the Group under ordinary course of business for providing the required services or similar services in the same area to independent third parties, in order to ensure the pricing and terms under the tenders submitted by relevant member of the Group to Shuifa Group will be on the same (or better) terms and not less favourable to the Group than those offered to independent third parties. The market department will refer to latest quotations and tenders submitted by the Group to independent third parties from time to time for projects or works with similar size and nature as the basis for the prevailing service fees in the market; and
- (v) the senior management involved in project management will review the information from the market department and the cost control department and consider whether the assessed project cost is reasonable and whether the profit margin justifies the Group to participate the tender or quotation. The tender working group will proceed to submit the tender documents to Shuifa Group after having obtained approval from senior management.

The final quotation or tender price to be submitted by the Group shall be determined 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.

As at the Latest Practicable Date, the aforementioned condition 1 has been fulfilled.

### **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:

	<b>For the year ending 31 December</b>		
	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<b>(RMB)</b>	<b>(RMB)</b>	<b>(RMB)</b>
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 Latest Practicable Date.

## **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 (including the IBC) 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 circular are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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.

## 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 Latest Practicable Date, 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 Company 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 Latest Practicable Date, 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.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder and on how to vote.

Donvex Capital Limited has been appointed as the IFA to advise the IBC and the Independent Shareholders in respect of the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder.



## SGM

The SGM will be held to consider and, if thought fit, pass the resolution to approve, among other things, the approve the entering of the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transactions and its associates shall abstain from voting at the SGM for considering and approving the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Shuifa Group Company and its associates are interested in, in aggregate, 1,867,764,057 Shares, representing approximately 74.09% of the entire issued share capital of the Company. As such, Shuifa Group Company and its associates will abstain from voting at the SGM in respect of the resolution in relation to the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, save and except for Shuifa Group Company and its associates, no Shareholder has a material interest in the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder and accordingly, no other Shareholder and its associates are therefore required to abstain from voting on the shareholders' resolution to be proposed at the SGM in respect of the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The resolution in relation to the EPC General Contracting Service Framework Agreement and the transactions contemplated thereunder at the SGM will be voted on by the Independent Shareholders by way of a poll and an announcement of the poll results will be made in accordance with the Listing Rules.

A notice convening the SGM to be held at the 35/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong on Monday, 30 December 2024 at 11:30 a.m. is set out on pages 35 to 36 of this circular. Shareholders are advised to read the notice and complete and return the form of proxy for use at the SGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 23 December 2024 to Monday, 30 December 2024 (both days inclusive), during which period the registration of transfer of Shares will be suspended. To entitle to the attendance of the SGM, all duly completed transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 20 December 2024.

## **RECOMMENDATION**

The Directors (including the IBC) are of the opinion 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 are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the IBC) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

Your attention is drawn to (i) the letter from the IBC set out on pages 14 to 15 of this circular containing the recommendation of the IBC to the Independent Shareholders regarding the the EPC General Contracting Service Framework Agreement; (ii) the letter of advice from the IFA to the IBC and the Independent Shareholders set out on pages 16 to 29 of this circular; and (iii) the information set out on pages 30 to 34 of this circular.

**Shareholders and potential investors of the Company should note that the transactions contemplated under the EPC General Contracting Service Framework Agreement are subject to the satisfaction of the conditions precedent to the EPC General Contracting Service Framework Agreement. As such, the transactions contemplated under the EPC General Contracting Service Framework Agreement may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the shares and other securities of the Company.**

Yours faithfully,

For and on behalf of

**China Shuifa Singyes Energy Holdings Limited**

**Zhou Guangyan**

*Vice-Chairman*

