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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司), you should at once hand this circular together with the accompanying form of proxy and the reply slip, to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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四川能投發展股份有限公司 Sichuan Energy Investment Development Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01713)

- (1) CONTINUING CONNECTED TRANSACTIONS
ELECTRICITY PURCHASE FRAMEWORK AGREEMENTS;
(2) MAJOR TRANSACTIONS AND CONNECTED TRANSACTIONS IN RELATION
TO (a) EPC CONTRACT FOR 10KV AND BELOW PROJECT; (b) EQUIPMENT AND
MATERIALS PROCUREMENT CONTRACT; (c) EPC CONTRACT FOR 35KV AND
ABOVE PROJECT; (d) EPC CONTRACT FOR AUTOMATION ENGINEERING PROJECT;
AND (e) CONSTRUCTION SUPERVISION CONTRACT;
AND
(3) NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING**

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

MESSIS 大有融資

Unless the context requires otherwise, capitalised terms used on this cover page have the same meanings as defined in the section headed "Definitions" in this circular.

Notice convening the EGM to be held at Hydropower Building, No. 789 Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC at 10:00 a.m. on 10 October 2024 is set out on pages EGM-1 to EGM-4 of this circular. If you intend to attend the EGM by proxy, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares as soon as possible but in any event by not later than 24 hours before the time appointed for holding of the EGM (i.e. before 10:00 a.m. on 9 October 2024) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

20 September 2024

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DEFINITIONS

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

“10kV and Below Project”	the 10kV and Below Project, comprising, among others, the construction and modification of 10kV circuit line, distribution transformers, low voltage lines and meters
“10kV and Below Project Implementation Units”	Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity
“2023 Rural Power Grid Consolidation and Improvement Project”	2023 Rural Power Grid Consolidation and Improvement Engineering Project, which comprises the 10kV and Below Project, 35kV and Above Project and the Automation Engineering Project
“2023 Rural Power Grid Contracts”	the EPC Contract for 10kV and Below Project, the Equipment and Materials Procurement Contract, the EPC Contract for 35kV and Above Project, the EPC Contract for Automation Engineering Project, and the Construction Supervision Contract
“35kV and Above Project”	the 35kV and Above Project, comprising, among others, the construction and modification of 110kV substations, main transformers, 110kV circuit line, 35kV substations, main transformers and 35kV circuit line
“35kV and Above Project Implementation Units”	Xuzhou Electricity, Pingshan Electricity, Gong County Electricity and Junlian Electricity
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Automation Engineering Project”	the Automation Engineering Project, comprising, among others, (i) the construction of the portion relating to communication and auxiliary control for various 35kV and above projects; (ii) the automation improvement engineering, including rural power grid dispatching automation engineering, transformers station operation, maintenance and recondition and main station system engineering, dispatching automation network security level protection engineering, distribution grid dispatching automation engineering, energy use safety engineering and rural power grid distribution energy automation system and supporting projects of Hydropower Group; and (iii) communication improvement project in Changning County, which includes the improvement of the rural power grid communication system within the county
“Automation Engineering Project Implementation Units”	Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity
“Board”	the board of Directors

DEFINITIONS

“Chairman”	the chairman of the Board
“Company”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 01713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Supervision Contract”	the construction supervision contract dated 3 July 2024 and entered into between Hydropower Group, Sichuan Yilian, the Construction Supervision Implementation Units and the Other Construction Supervision Implementation Units
“Construction Supervision Implementation Units”	Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Dayukong Power Station”	the Dayukong Power Station (大魚孔電站), which was held by Shuifu Hongli as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	the ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB by PRC nationals and/or PRC corporate entities
“EGM”	an extraordinary general meeting to be convened at Hydropower Building, No. 789 Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC at 10:00 a.m. on Thursday, 10 October 2024 by the Company to consider and, if thought fit, approve the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder
“Electricity Purchase Framework Agreements”	collectively the Yibin Zhangwo Electricity Purchase Framework Agreement and the Shuifu Hongli Electricity Purchase Framework Agreement, and each an “Electricity Purchase Framework Agreement”
“Energy Investment Group”	Sichuan Province Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司), a limited liability company established in the PRC on 21 February 2011 and one of the controlling shareholders of the Company
“EPC”	engineering, procurement and construction

DEFINITIONS

“EPC Contract for 10kV and Below Project”	the EPC contract for 10kV and below project dated 3 July 2024 and entered into between Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Sichuan Energy Investment Development Construction, the 10kV and Below Project Implementation Units and the Other 10kV and Below Project Implementation Units
“EPC Contract for 35kV and Above Project”	the EPC contract for 35kV and above project dated 3 July 2024 and entered into between Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Sichuan Energy Investment Development Construction, the 35kV and Above Project Implementation Units and the Other 35kV and Above Project Implementation Units
“EPC Contract for Automation Engineering Project”	the EPC contract for automation engineering project dated 3 July 2024 and entered into between Hydropower Group, Sun Technology, Sichuan Energy Consolidated Energy, the Automation Engineering Project Implementation Units and the Other Automation Engineering Project Implementation Units
“Equipment and Materials Procurement Contract”	the equipment and materials procurement contract dated 3 July 2024 and entered into between Hydropower Group, Materials Industry Group, the 10kV and Below Project Implementation Units and the Other 10kV and Below Project Implementation Units
“Gao County Electricity”	Sichuan Energy Investment Gao County Electricity Co., Ltd.* (四川能投高縣電力有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Gong County Electricity”	Sichuan Energy Investment Gong County Electricity Co., Ltd.* (四川能投珙縣電力有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hydropower Group”	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a limited liability company established in the PRC and one of the controlling shareholders of the Company

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Siu Chi Hung, Mr. Chen Chuan, Mr. Mou Yingshi, Prof. Li Jian and Ms. He Yin to advise the Independent Shareholders on the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder
“Independent Financial Adviser” or “Messis”	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser engaged by the Company to advise the Independent Board Committee and Independent Shareholders on the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than Hydropower Group, Energy Investment Group and other Shareholders who are required under the Listing Rules to abstain from voting at the EGM for the resolution(s) approving the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Jinding Group”	Sichuan Energy Investment Jinding Industrial Finance Holding Group Co., Ltd.* (四川能投金鼎產融控股集團有限公司), a limited liability company established in the PRC, held as to approximately 69.39% by Hydropower Group and approximately 30.61% by Energy Investment Group as at the Latest Practicable Date
“Junlian Electricity”	Sichuan Energy Investment Junlian Electricity Co., Ltd.* (四川能投筠連電力有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“kV”	kilovolt
“kWh”	kilowatt hour
“Latest Practicable Date”	16 September 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time

DEFINITIONS

“Materials Industry Group”	Sichuan Energy Investment Materials Industry Group Co., Ltd.* (四川能投物資產業集團有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of Energy Investment Group and a connected person of the Company
“Other 10kV and Below Project Implementation Units”	The implementation units (other than the 10kV and Below Project Implementation Units) under the EPC Contract for 10kV and Below Project and the Equipment and Materials Procurement Contract. For details, please refer to the paragraph headed “4. Information of Parties Involved – Other Implementation Units” in this circular
“Other 35kV and Above Project Implementation Units”	The implementation units (other than the 35kV and Above Project Implementation Units) under the EPC Contract for 35kV and Above Project. For details, please refer to the paragraph headed “4. Information of Parties Involved – Other Implementation Units” in this circular
“Other Automation Engineering Project Implementation Units”	The implementation units (other than the Automation Engineering Project Implementation Units) under the EPC Contract for Automation Engineering Project. For details, please refer to the paragraph headed “4. Information of Parties Involved – Other Implementation Units” in this circular
“Other Construction Supervision Implementation Units”	The implementation units (other than the Construction Supervision Implementation Units) under the Construction Supervision Contract. For details, please refer to the paragraph headed “4. Information of Parties Involved – Other Implementation Units” in this circular
“Pingshan Electricity”	Sichuan Energy Investment Pingshan Electricity Co., Ltd.* (四川能投屏山電力有限公司), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Shares of the Company

DEFINITIONS

“Shuifu Hongli”	Shuifu Hongli Power Generation Co., Ltd.* (水富泓力發電有限公司), a limited liability company established in the PRC
“Shuifu Hongli Electricity Purchase Framework Agreement”	the electricity purchase framework agreement dated 16 May 2024 and entered into between the Company and Shuifu Hongli
“Sichuan Development Co.”	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司), a state-owned enterprise with limited liability established in the PRC on 24 December 2008 and one of the controlling Shareholders of the Company
“Sichuan Energy Consolidated Energy”	Sichuan Energy Consolidated Energy Co., Ltd.* (四川能投綜合能源有限責任公司), a limited liability company established in the PRC, a wholly-owned subsidiary of Hydropower Group and a connected person of the Company
“Sichuan Energy Construction”	Sichuan Energy Investment Construction Engineering Group Co., Ltd.* (四川能投建工集團有限公司), a limited liability company established in the PRC, a direct subsidiary of Energy Investment Group and a connected person of the Company
“Sichuan Energy Investment Development Construction”	Sichuan Energy Investment Development Construction Co., Ltd.* (四川能投發展建設有限公司) (formerly known as Sichuan Energy Yibin Electricity Engineering Co. Ltd.* (四川能投宜賓電力工程建設有限公司)), a company established in the PRC and a wholly-owned subsidiary of the Company
“Sichuan Yilian”	Sichuan Yilian Construction Project Management Co., Ltd.* (四川億聯建設工程項目管理有限公司), a limited liability company established in the PRC and indirectly owned as to approximately 33.52% by Energy Investment Group and is a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Technology”	Sun Technology Company Limited* (成都太陽高科技有限責任公司), a company established in the PRC with limited liability and is owned as to approximately 67% by Hydropower Group, and is a connected person of the Company
“Xingwen Electricity”	Sichuan Energy Investment Xingwen Electricity Co., Ltd.* (四川能投興文電力有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

“Xuzhou Electricity”	Sichuan Energy Investment Yibin City Xuzhou Electricity Co., Ltd.* (四川能投宜賓市敘州電力有限公司), a limited liability company established in the PRC on 18 June 2012 and a wholly-owned subsidiary of the Company
“Yibin Zhangwo”	Yibin Zhangwo Power Generation Co., Ltd.* (宜賓張窩發電有限公司), a limited liability company established in the PRC
“Yibin Zhangwo Electricity Purchase Framework Agreement”	the electricity purchase framework agreement dated 16 May 2024 and entered into between the Company and Yibin Zhangwo
“Zhangwo Power Station”	the Zhangwo Power Station (張窩電站), which was held by Yibin Zhangwo as at the Latest Practicable Date
“%”	per cent

* For identification purposes only

LETTER FROM THE BOARD



四川能投發展股份有限公司 Sichuan Energy Investment Development Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01713)

Executive Directors:

Mr. He Jing (*Chairman*)
Mr. Wang Yuanchun
Ms. Xie Peixi

Non-executive Directors:

Ms. Han Chunhong
Mr. Tao Xueqing
Mr. Gao Bin
Mr. Kong Ce
Mr. Zhao Gen

Independent Non-executive Directors:

Mr. Siu Chi Hung
Mr. Chen Chuan
Mr. Mou Yingshi
Prof. Li Jian
Ms. He Yin

Registered office:

No.789, Renhe Road,
Wenjiang District, Chengdu City,
Sichuan Province,
the PRC

Head office:

No.789, Renhe Road,
Wenjiang District, Chengdu City,
Sichuan Province,
the PRC

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre,
No.248 Queen's Road East,
Wanchai, Hong Kong

20 September 2024

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
ELECTRICITY PURCHASE FRAMEWORK AGREEMENTS;
(2) MAJOR TRANSACTIONS AND CONNECTED TRANSACTIONS IN RELATION
TO (a) EPC CONTRACT FOR 10KV AND BELOW PROJECT; (b) EQUIPMENT AND
MATERIALS PROCUREMENT CONTRACT; (c) EPC CONTRACT FOR 35KV AND
ABOVE PROJECT; (d) EPC CONTRACT FOR AUTOMATION ENGINEERING PROJECT;
AND (e) CONSTRUCTION SUPERVISION CONTRACT;
AND
(3) NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 16 May 2024 in relation to the Electricity Purchase Framework Agreements.

LETTER FROM THE BOARD

On 16 May 2024, after trading hours, (1) the Company entered into the Yibin Zhangwo Electricity Purchase Framework Agreement with Yibin Zhangwo; and (2) the Company entered into the Shuifu Hongli Electricity Purchase Framework Agreement with Shuifu Hongli. Pursuant to the Yibin Zhangwo Electricity Purchase Framework Agreement and the Shuifu Hongli Electricity Purchase Framework Agreement, Yibin Zhangwo and Shuifu Hongli shall respectively supply electricity to the Company and its subsidiaries from the effective date of the respective agreement and up to 31 December 2026.

Reference is also made to the announcement of the Company dated 3 July 2024 in relation to, among others, (1) the EPC Contract for 10kV and Below Project; (2) the Equipment and Materials Procurement Contract; (3) the EPC Contract for 35kV and Above Project; (4) the EPC Contract for Automation Engineering Project; and (5) the Construction Supervision Contract.

On 3 July 2024, after trading hours:

- (i) the 10kV and Below Project Implementation Units (all of which are subsidiaries of the Company) entered into the EPC Contract for 10kV and Below Project with, among others, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction, pursuant to which Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction agreed to provide EPC services for the 10kV and Below Project;
- (ii) the 10kV and Below Project Implementation Units (all of which are subsidiaries of the Company) entered into the Equipment and Materials Procurement Contract with, among others, Hydropower Group and Materials Industry Group, pursuant to which, Materials Industry Group agreed to provide procurement of equipment and materials service for the 10kV and Below Project;
- (iii) the 35kV and Above Project Implementation Units (all of which are subsidiaries of the Company) entered into the EPC Contract for 35kV and Above Project with Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction, pursuant to which, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction agreed to provide EPC services for the 35kV and Above Project;
- (iv) the Automation Engineering Project Implementation Units (all of which are subsidiaries of the Company) entered into the EPC Contract for Automation Engineering Project with among others, Hydropower Group, Sun Technology and Sichuan Energy Consolidated Energy, pursuant to which, Sun Technology and Sichuan Energy Consolidated Energy agreed to provide engineering, procurement and construction services for the communication and auxiliary control and automation improvement engineering and communication improvement engineering of the Automation Engineering Project; and

LETTER FROM THE BOARD

- (v) the Construction Supervision Implementation Units (all of which are subsidiaries of the Company) entered into the Construction Supervision Contract with, among others, Hydropower Group and Sichuan Yilian, pursuant to which, Sichuan Yilian agreed to provide construction supervision service.

The purposes of this circular are to provide you with, among other things, (i) a letter from the Board containing further information of the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM and other information as required under the Listing Rules.

2. THE ELECTRICITY PURCHASE FRAMEWORK AGREEMENTS

2.1 PARTICULARS OF THE ELECTRICITY PURCHASE FRAMEWORK AGREEMENTS

Save for (i) the parties to the Electricity Purchase Agreements, (ii) the unit price of electricity to be paid by the Group under each of the Electricity Purchase Agreements, (iii) the maximum volume of electricity to be purchased under each of the Electricity Purchase Framework Agreements, and (iv) the annual caps for the transactions contemplated under each of the Electricity Purchase Framework Agreements, the principal terms of the Electricity Purchase Framework Agreements are substantially the same and are summarised as follows:

Date:	16 May 2024 (after trading hours)
Parties:	Yibin Zhangwo Electricity Purchase Framework Agreement
	(1) the Company (as purchaser)
	(2) Yibin Zhangwo (as supplier)
	Shuifu Hongli Electricity Purchase Framework Agreement
	(1) the Company (as purchaser)
	(2) Shuifu Hongli (as supplier)
Subject matter:	Pursuant to the Electricity Purchase Framework Agreements, Yibin Zangwo/Shuifu Hongli shall supply electricity to the Company and its subsidiaries
Term:	From the effective date of the agreement to 31 December 2026

LETTER FROM THE BOARD

Conditions precedent: The Electricity Purchase Framework Agreement shall become effective subject to the satisfaction of the following conditions precedent:

- (i) the legal representatives or authorized representatives of both parties having affixed their signatures and official seals; and
- (ii) the Electricity Purchase Framework Agreement and the transactions contemplated thereunder being approved in a general meeting duly convened by the Company in accordance with the Listing Rules.

Subsidiary agreement:

Pursuant to the terms of the relevant Electricity Purchase Framework Agreement, the parties to the agreement shall further agree on, to the extent applicable, the unit price of electricity, the policy of measurement of volume of electricity supplied, and terms of settlement by entering into separate specific subsidiary agreements within the ambit of the relevant Electricity Purchase Framework Agreement.

Pricing policy:

The unit price of electricity payable under the respective Electricity Purchase Framework Agreements shall be as follows:

	Unit price of electricity (tax exclusive)	Unit price of electricity (tax inclusive) <i>(Note)</i>
Yibin Zhangwo Electricity Purchase Framework Agreement	RMB0.2549 per kWh	RMB0.288 per kWh
Shuifu Hongli Electricity Purchase Framework Agreement	RMB0.31068 per kWh	RMB0.32 per kWh

Note: The unit price of electricity (tax inclusive) is calculated based on the rate of value added tax according to the PRC government policy.

LETTER FROM THE BOARD

The respective unit price of electricity payable under each of the Electricity Purchase Framework Agreements is subject to the adjustment under Notice of the Sichuan Development and Reform Commission on Adjusting the Relevant Issues Concerning Electricity Price Policy for the Water-sufficient and Water-deficit Seasons and Peak and Off-peak Hours of the Power Grid in Sichuan Province*(《四川省發展改革委關於調整四川電網豐枯峰穀電價政策有關事項的通知》). The total electricity fee payable under the respective Electricity Purchase Framework Agreements shall be the relevant unit price of electricity multiplied by the actual volume of on-grid electricity supplied to the Group.

The respective unit price of electricity payable under the Electricity Purchase Framework Agreements set out above was determined after arm's length negotiation between the Company and Yibin Zhangwo or Shuifu Hongli (where applicable), with reference to (i) the historical unit price paid by the Group for the electricity purchased from the Zhangwo Power Station and Dayukong Power Station; (ii) the unit price of electricity charged by other Independent Third Parties; and (iii) the respective average unit price of electricity in 2023 charged by (a) State Grid Corporation of China (國家電網有限公司), being approximately RMB0.3606 per kWh (tax exclusive), and (b) China Southern Power Grid Company Limited (中國南方電網有限責任公司), being approximately RMB0.3875 per kWh (tax exclusive).

Maximum volume:

The maximum volume of electricity to be purchased by the Group under the Electricity Purchase Framework Agreements for each of the three years ending 31 December 2026 shall be as follows:

	Maximum volume of electricity to be purchased by the Group For the year ending 31 December		
	2024	2025	2026
	('000 kWh)	('000 kWh)	('000 kWh)
Yibin Zhangwo Electricity Purchase Framework Agreement	324,000	348,000	336,000
Shuifu Hongli Electricity Purchase Framework Agreement	111,000	117,000	114,000

Payment Term:

The electricity fee payable by the Group under the Electricity Purchase Framework Agreements shall be settled on a monthly basis.

LETTER FROM THE BOARD

2.2 HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

Historical transaction amounts in relation to the electricity purchased by the Group from Zhangwo Power Station and Dayukong Power Station (Note 1)

	2021		For the year ended 31 December 2022		2023		For the four months ended 30 April 2024	
	The total volume of electricity purchased by the Group during the year (<i>'000 kWh</i>)	The total electricity fee paid by the Group during the year (<i>RMB'000</i>)	The total volume of electricity purchased by the Group during the year (<i>'000 kWh</i>)	The total electricity fee paid by the Group during the year (<i>RMB'000</i>)	The total volume of electricity purchased by the Group during the year (<i>'000 kWh</i>)	The total electricity fee paid by the Group during the year (<i>RMB'000</i>)	The total volume of electricity purchased by the Group during the period (<i>'000 kWh</i>)	The total electricity fee paid by the Group during the period (<i>RMB'000</i>)
Zhangwo Power Station	258,412.4	68,970.5	340,977.7	99,748.9	254,694.0	67,281.30	50,831.9	18,226.3
Dayukong Power Station	105,634.7	32,405.8	104,720.9	32,433.1	93,383.4	27,507.0	20,012.5	7,973.0
Total	<u>364,047.10</u>	<u>101,376.3</u>	<u>445,698.60</u>	<u>132,182.00</u> <i>(Note 2)</i>	<u>348,077.4</u>	<u>94,788.3</u> <i>(Note 2)</i>	<u>70,844.4</u>	<u>26,199.3</u>

Notes:

- The Group has been purchasing electricity from Zhangwo Power Station and Dayukong Power Station since October 2017 and February 2013, respectively. It has come to the attention of the Company that, Zhangwo Power Station and Dayukong Power Station were subsequently held under Yibin Zhangwo and Shuifu Hongli, respectively, which then underwent several rounds of internal reorganisation. For further details, please refer to the paragraph headed “2.3 Reasons for and benefits of entering into the Electricity Purchase Framework Agreements” in this circular.
- Based on the total electricity fee paid by the Group, the purchases of electricity by the Group from Zhangwo Power Station and Dayukong Power Station in each of 2022 and 2023 constitute continuing connected transactions which shall be subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The maximum volume of electricity to be purchased by the Group and the proposed annual caps of the transactions contemplated under the Electricity Purchase Framework Agreements

	2024		For the year ending 31 December 2025		2026	
	The maximum volume of electricity to be purchased by the Group during the year (<i>'000 kWh</i>)	The annual cap of electricity fee payable by the Group during the year (<i>RMB'000</i>)	The maximum volume of electricity to be purchased by the Group during the year (<i>'000 kWh</i>)	The annual cap of electricity fee payable by the Group during the year (<i>RMB'000</i>)	The maximum volume of electricity to be purchased by the Group during the year (<i>'000 kWh</i>)	The annual cap of electricity fee payable by the Group during the year (<i>RMB'000</i>)
Yibin Zhangwo Electricity Purchase Framework Agreement	324,000	93,310	348,000	100,220	336,000	96,770
Shuifu Hongli Electricity Purchase Framework Agreement	111,000	35,520	117,000	37,440	114,000	36,480
Total	435,000	128,830	465,000	137,660	450,000	133,250

Basis of determination for the Annual Caps

In determining the above annual caps, the Company has considered the following factors:

- (i) the estimated maximum volume of electricity to be purchased by the Group under the Electricity Purchase Framework Agreements for the three years ending 31 December 2026, which was determined with reference to the historical volume of electricity purchased by the Group from each of the Zhangwo Power Station and the Dayukong Power Station in the past five years. In particular, the Company has compared (i) the historical highest annual utilization hours of the Zhangwo Power Station and the Dayukong Power Station in the past five years (which is calculated according to the volume of electricity generated and purchased by the Group in a given year and the rated output capacity of electricity generation of the power station) and (ii) the designed annual utilization hours of the Zhangwo Power Station and the Dayukong Power Station (which was estimated under the feasibility studies of the Group before the operation of the power stations based on the historical water inflows conditions and the rated output capacity of electricity generation of the power station). For illustration purpose, the historical highest annual utilization hours and designed annual utilization hours of Zhangwo Power Station and Dayukong Power Station were as follows:

	Highest annual utilization hours in the past five years (<i>approximately</i>)	Designed annual utilization hours (<i>approximately</i>)
Zhangwo Power Station	5,683 hours (<i>Note 1</i>)	5,030 hours (<i>Note 3</i>)
Dayukong Power Station	3,521 hours (<i>Note 2</i>)	4,163 hours (<i>Note 4</i>)

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Notes:

- (1) The highest annual utilization hours was recorded in 2022. During the year, the volume of electricity purchased by the Group from Zhangwo Power Station was approximately 340,977,700 kWh.
- (2) The highest annual utilization hours was recorded in 2021. During the year, the volume of electricity purchased by the Group from Dayukong Power Station was approximately 105,634,700 kWh.
- (3) It translates to designed annual electricity generation of approximately 301,800,000kWh = Designed annual utilization hours of Zhangwo Power Station (5,030 hours)* Rated output capacity of electricity generation of Zhangwo Power Station (60,000kW).
- (4) It translates to designed annual electricity generation of approximately 124,890,000kWh = Designed annual utilization hours of Dayukong Power Station (4,163 hours)* Rated output capacity of electricity generation of Dayukong Power Station (30,000kW).

As Zhangwo Power Station had operated exceeding the designed annual utilization hours during the past five years, the Directors therefore estimated the annual cap based on the highest annual utilization hours in 2022 with adjustment considering the estimated effect of water sufficient seasons. On the other hand, since the Dayukong Power Station had operated below the designed annual utilization hours during the past five years, the Directors therefore estimated the annual cap to be below the designed annual utilization hours with adjustment considering the estimated effect of water sufficient seasons. As the amount of electricity to be generated by the power stations (which would then be purchased by the Group) are largely subject to the water inflow and raining seasons in a given year, which is outside the control of the Group, as a result, for the sake of prudence when making estimations of the annual cap, the Directors not only made reference to the historical trend of volume of electricity generation of the power stations over the past five years, but also considered using the highest annual utilization hours (which translated to the highest volume of electricity generated and purchased) in the past five years and the designed annual utilization hours of the power stations, with adjustments considering the effect of water sufficient seasons, to reduce the risk of exceeding the annual caps over the course of the Electricity Purchase Framework Agreements;

- (ii) the unit prices of electricity payable by the Group under the Electricity Purchase Framework Agreements, which were determined after arm's length negotiation between the Group and each of Yibin Zhangwo and Shuifu Hongli with reference to (i) the historical unit price paid by the Group for the electricity supplied by the Zhangwo Power Station and the Dayukong Power Station; (ii) the unit price of electricity charged by other Independent Third Parties; and (iii) the respective average unit price of electricity in 2023 charged by State Grid Corporation of China (國家電網有限公司) and (ii) China Southern Power Grid Company Limited (中國南方電網有限責任公司). It is noted that the unit prices of electricity offered by Yibin Zhangwo or Shuifu Hongli are lower than the respective average unit price of electricity charged by State Grid Corporation of China (國家電網有限公司) and China Southern Power Grid Company Limited (中國南方電網有限責任公司) in 2023;

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- (iii) the adjustments to the unit price of electricity under the Electricity Purchase Framework Agreements during the water-sufficient and water-deficit seasons as set out under the Notice of the Sichuan Development and Reform Commission on Adjusting the Relevant Issues Concerning Electricity Price Policy for the Water-sufficient and Water-deficit Seasons and Peak and Off-peak Hours of the Power Grid in Sichuan Province*(《四川省發展改革委關於調整四川電網豐枯峰穀電價政策有關事項的通知》), which would affect the total amount of electricity fees payable under a year; and
- (iv) a reasonable buffer is also added to cater for the operating need from time to time in determining the proposed annual caps of the fees payable to the Group under the Electricity Purchase Framework Agreement.

2.3 REASONS FOR AND BENEFITS OF ENTERING INTO THE ELECTRICITY PURCHASE FRAMEWORK AGREEMENTS

Yibin Zhangwo and Shuifu Hongli were primarily engaged in hydropower generation, and their hydropower station were connected to the power grid operated and managed by the Group. The Group had been purchasing electricity from the Zhangwo Power Station and Dayukong Power Station since October 2017 and February 2013, respectively. It has come to the attention of the Company that the Zhangwo Power Station and Dayukong Power Station were subsequently held under Yibin Zhangwo and Shuifu Hongli, which then underwent several rounds of internal reorganisation. As at the Latest Practicable Date, the majority equity interests of each of Yibin Zhangwo and Shuifu Hongli were held by Jinding Group, which was in turn held as to approximately 69.39% and 30.61% by Hydropower Group and Energy Investment Group, respectively. As at the Latest Practicable Date, Yibin Zhangwo and Shuifu Hongli were connected persons of the Company, and the transactions of electricity purchase from Yibin Zhangwo and Shuifu Hongli constitute continuing connected transactions of the Company.

Against the above background, and after taking into account (i) the long term business relationship with the Zhangwo Power Station and Dayukong Power Station which had been providing stable electricity supply to the Group over the years; and (ii) the unit prices of electricity offered by Yibin Zhangwo and Shuifu Hongli were arrived after arm's length negotiation between the parties, and were determined with reference to the historical unit price of electricity purchased from the Zhangwo Power Station and Dayukong Power Station, which were lower than the average unit price of electricity in 2023 charged by State Grid Corporation of China (國家電網有限公司) and China Southern Power Grid Company Limited (中國南方電網有限責任公司), being the two state-owned electric utility corporations in the PRC, the Board therefore considered that it would be beneficial to continue to purchase electricity from the Zhangwo Power Station and Dayukong Power Station through Yibin Zhangwo and Shuifu Hongli by entering into the Electricity Purchase Framework Agreements, as it would enable to the Group to continue to enjoy a favourable and competitive electricity price which will be conducive in controlling the operating costs of the Group, as well as consolidating and enhancing the Group's power supply capability in the relevant regions, particularly during the peak demand period of electricity.

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The Directors (including the independent non-executive Directors who express their views after considering the advice from the Independent Financial Adviser but excluding the Directors who have abstained from voting on the Board resolutions (as set out below) to approve the Electricity Purchase Framework Agreements) are of the view that (i) the transactions contemplated under the Electricity Purchase Framework Agreements are on normal commercial terms or better, and are entered into in the ordinary and usual course of business of the Group; and (ii) the terms and conditions contained under the Electricity Purchase Framework Agreement and the annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As Mr. He Jing, Mr. Wang Yuanchun and Ms. Xie Peixi are the Directors nominated by Hydropower Group, they have abstained from voting on the Board resolutions to approve the Electricity Purchase Framework Agreements voluntarily. Save as disclosed above, none of the Directors have material interest in the Electricity Purchase Framework Agreements and hence no other Director was required to abstain from voting on the relevant resolutions approving the same.

2.4 THE CONNECTED RELATIONSHIP WITH YIBIN ZHANGWO AND SHUIFU HONGLI

Circumstances leading to the discovery of connected relationship with Yibin Zhangwo and Shuifu Hongli

The Group had been purchasing electricity from the Zhangwo Power Station and Dayukong Power Station since October 2017 and February 2013, respectively. At the time of listing of the Company on the Stock Exchange in December 2018, Zhangwo Power Station and Dayukong Power Station were respectively directly and indirectly held by a company (the “**Power Station Holdco**”) which was an Independent Third Party at the relevant time, and hence the electricity purchase by the Group from Zhangwo Power Station and Dayukong Power Station did not constitute continuing connected transactions of the Group at the time back then. Against such background, the parties agreed that the arrangement of electricity purchase by the Group from Zhangwo Power Station and Dayukong Power Station would be renewed automatically annually, and no new written agreement had been entered into regarding the purchase of electricity from Zhangwo Power Station and Dayukong Power Station since then.

Unbeknownst to the Company, Zhangwo Power Station and Dayukong Power Station underwent several ownership changes over the years, which the Company was not alerted by Zhangwo Power Station, Dayukong Power Station or Jinding Group. The Group has set up internal control measures and maintained a list of connected persons which would be checked against before the Company enters into any agreement with a third party. However, as Jinding Group had not alerted the Group regarding the ownership changes of Zhangwo Power Station and Dayukong Power Station, and the electricity arrangement with the said two power stations were renewed annually with no new agreement being entered into over the years, the Group did not discover the ownership changes of Zhangwo Power Station and Dayukong Power Station or the connected relationship with Yibin Zhangwo and Shuifu Hongli in a timely manner.

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In April 2024, the Group discovered the ownership changes of Zhangwo Power Station and Dayukong Power Station when it was negotiating with such power stations about arranging for another subsidiary of the Group to enter into new electricity purchase agreements with them. Upon discovery of the ownership changes, the Company immediately took action to conduct shareholding searches to ascertain the relationship between the Group and Yibin Zhangwo and Shuifu Hongli, i.e. the current entities holding the Zhangwo Power Station and Dayukong Power Station. After considering all information collected and the latest circumstances, the Group was only able to ascertain in April 2024 that Yibin Zhangwo and Shuifu Hongli should have become connected persons of the Company and the renewal of the electricity purchase agreements with Zhangwo Power Station and Dayukong Power Station would constitute continuing connected transactions of the Company. The Group forthwith commenced the preparation and negotiation of the terms of the Electricity Purchase Framework Agreements, went through internal approval process and finally published the announcement on 16 May 2024.

To prevent similar incidents of late discovery of connected relationships in the future and to ensure timely reporting of connected transactions in accordance with the Listing Rules going forward, the Company has strengthened its existing internal control measures. For details, please refer to the paragraph headed “Measures to prevent similar incidents of late discovery of connected relationships in the future” of the circular below.

The ownership changes of Zhangwo Power Station and Dayukong Power Station

As aforementioned, the Zhangwo Power Station and Dayukong Power Station were respectively directly and indirectly held by the Power Station Holdco (which was at the time an Independent Third Party) at the time of listing of the Company in December 2018. Pursuant to the Company’s subsequent understanding from Jinding Group in April 2024, after the listing of the Company and by the end of 2022, (i) Jinding Group had become indirectly (through several layers of intermediate holding entities) interested in 99% of the equity interests of the Power Station Holdco over the years; and (ii) the Power Station Holdco held the Zhangwo Power Station and Dayukong Power Station indirectly through Yibin Zhangwo and Shuifu Hongli respectively by the end of 2022. However, as Jinding Group did not involve in the operation of, and did not exercise any control in, the Power Station Holdco, Yibin Zhangwo and Shuifu Hongli, and hence it did not consolidate any of the Power Station Holdco, Yibin Zhangwo or Shuifu Hongli as its subsidiary up to 2022.

Pursuant to the shareholding searches conducted by the Company in April 2024 and as subsequently advised by Jinding Group, in January and February 2023, Jinding Group and Shenzhen Aizhong Capital Management Co., Ltd* (深圳愛眾資本管理有限公司) (“**Aizhong Capital Management**”) indirectly acquired the entire equity interests of Yibin Zhangwo and Shuifu Hongli through special purpose vehicles established by them (each of them being held as to approximately 66.67% by Jinding Group and 33.33% by Aizhong Capital Management). Yibin Zhangwo and Shuifu Hongli were consolidated by Jinding Group as its subsidiaries only after these acquisitions. Subsequently, each of Yibin Zhangwo and Shuifu Hongli subsequently became directly held as to approximately 66.67% by Jinding Group and 33.33% by Aizhong Capital Management after completion of relevant equity transfers in around October and November 2023 respectively.

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Against the said background and with the benefit of hindsight upon discovering the above ownership changes in April 2024, the Company considered that Yibin Zhangwo and Shuifu Hongli should have become connected persons of the Company in around January and February 2023.

Measures to prevent similar incidents of late discovery of connected relationships in the future

After recent discussion with Jinding Group in relation to the above ownership changes, the Directors understand that Jinding Group and the Controlling Shareholders did not inform the Group in a timely manner about the ownership changes of Zhangwo Power Station and Dayukong Power Station before April 2024 as (i) the Power Station Holdco, together with Zhangwo Power Station and Dayukong Power Station, were not accounted as subsidiaries of Jinding Group prior to 2023, and (ii) they were not aware of the Listing Rules implication on the Company in respect of the electricity purchase transactions upon the ownership changes of Yibin Zhangwo and Shuifu Hongli in 2023.

Notwithstanding the purchase of electricity from Yibin Zhangwo and Shuifu Hongli was not being identified as continuing connected transactions previously, the terms had been determined after arm's length negotiation and the transactions had been conducted on normal commercial terms and in the ordinary course of business of the Group over the years. Given the aforesaid and the benefits of the transactions brought to the Group as stated in the paragraph headed "2.3 Reasons for and benefits of entering into the Electricity Purchase Framework Agreements" of the circular, the Company believes that the historical electricity purchases from Yibin Zhangwo and Shuifu Hongli were in the interests of the Company and the Shareholders as a whole.

To prevent similar incidents of late discovery of connected relationships in the future and to ensure timely reporting of connected transactions in accordance with the Listing Rules going forward, the Company will strengthen its existing internal control measures as follows:

- (i) The Company has existing internal policies and procedures to govern the connected transactions of the Group, and has maintained a list of connected persons which would be checked against before the Company enters into an agreement with a third party. The list of connected persons was previously scheduled to be updated annually. Going forward, the Company will require quarterly routine update of the list of connected persons, and check its accuracy against public shareholding records;
- (ii) Going forward, the responsible staff of the Company will conduct quarterly review of the subsisting contracts of the Group and ascertain the ultimate beneficial owners of the counterparties, in order to identify any transaction which has subsequently become connected transaction under the Listing Rules. Any discovery will be forthwith reported to the management for follow up actions, including the preparation of framework agreements and/or relevant announcements for disclosure; and

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- (iii) the Company will strengthen its communication with Hydropower Group and Jinding Group going forward. For instance, the Company has informed Hydropower Group and Jinding Group (a) that Yibin Zhangwo and Shuifu Hongli are connected persons of the Company and their transactions with the Company would constitute connected transactions of the Company; and (b) the requirements of the Listing Rules regarding connected transactions, including the definition of connected persons. The Company will continue to update Hydropower Group and Jinding Group in the future if there is any update to the definition of connected persons under the Listing Rules. The Company will also remind Jinding Group from time to time to keep track of the transactions between itself or its associates with the Group as well as to inform and provide relevant details to the Group forthwith if it discovers any of its newly acquired companies having subsisting transactions with the Group.

2.5 INTERNAL CONTROL MEASURES

In order to ensure that the terms under the Electricity Purchase Framework Agreements for the continuing connected transactions contemplated thereunder are fair and reasonable and the connected transactions are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- (i) the operation management department of the Company will monitor the transactions under the Electricity Purchase Framework Agreements on a regular basis, and assess whether the annual caps are expected to be exceeded based on the volume of electricity already purchased and the amount of electricity fee already incurred by the Group. Where necessary, before the annual caps are exceeded, the operation management department of the Company will elevate such issue to the Board with proposed revised annual caps and such other relevant information so that the Board will be in a position to consider and, where applicable, comply with applicable Listing Rules in connection with such revised annual caps;
- (ii) prior to entering into of any specific subsidiary agreements, the personnel of relevant departments (including but not limited to the audit department, financial assets department and operation management department) of the Company as well as the legal counsels engaged by the Company from time to time will review and assess the specific terms and conditions of the transactions to ensure their consistency with the Electricity Purchase Framework Agreements. The operation management department will also compare the unit price of electricity offered under such specific subsidiary agreements with those offered by Independent Third Parties (including State Grid Corporation of China (國家電網有限公司) and China Southern Power Grid Company Limited (中國南方電網有限責任公司)) and ensure that the unit price of electricity offered under the specific subsidiary agreements are no less favorable than those to be offered by the Independent Third Parties; and

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- (iii) Independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Electricity Purchase Framework Agreements (including the unit rates of electricity charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreements and the Group's pricing policy measures, and to confirm if the price and terms offered are fair and reasonable and comparable to those offered by independent third parties.

In addition to the above, please refer to the paragraph headed "2.4 The Connected Relationship with Yibin Zhangwo and Shuifu Hongli – Measures to prevent similar incidents of late discovery of connected relationships in the future" for the enhanced internal control measures to prevent similar incidents of late discovery of connected relationships in the future and to ensure timely reporting of connected transactions in accordance with the Listing Rules going forward.

3. 2023 RURAL POWER GRID CONTRACTS

3.1 PARTICULARS OF THE 2023 RURAL POWER GRID CONTRACTS

3.1.1 EPC Contract for 10kV and Below Project

On 3 July 2024, after trading hours, the 10kV and Below Project Implementation Units entered into the EPC Contract for 10kV and Below Project with, among others, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction. The principal terms of the EPC Contract for 10kV and Below Project are set out below:

- Date:** 3 July 2024 (after trading hours)
- Parties:**
- (1) Hydropower Group (as principal);
 - (2) Sichuan Energy Construction (as contractor);
 - (3) Sichuan Energy Consolidated Energy (as contractor);
 - (4) Sichuan Energy Investment Development Construction (as contractor);
 - (5) 10kV and Below Project Implementation Units; and
 - (6) Other 10kV and Below Project Implementation Units
- Project:** The 10kV and Below Project, comprising, among others, the construction and modification of 10kV circuit line, distribution transformers, low voltage lines and meters.

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The EPC Contract for 10kV and Below Project covers two major projects, being the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project and the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project. The Group will only take part in part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project.

Scope of service: Survey and design, construction installation and engineering implementation, equipment testing, equipment installation and commissioning and trial operation, procurement of certain auxiliary materials (including installation)

Construction period: 275 calendar days

Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent: ^(Note)

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved contractors;
3. the rural power grid investment contract among Hydropower Group, the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for 10kV and Below Project);
4. the self-financed funds (if any) of the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Note: Save for conditions 4 and 5 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

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Defect liability period:	24 months commencing from the issuance of project delivery certificate
Total estimated contract price payable under the EPC Contract for 10kV and Below Project:	RMB967,673,620 ^{Note} (tax inclusive) which comprises (i) the survey and design fee of RMB60,234,917 (tax inclusive); (ii) the construction fee of RMB903,927,449 (tax inclusive); and (iii) the auxiliary material fee of RMB3,511,254 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the total estimated contract price of RMB967,673,620 ^{Note} (tax inclusive), it is envisaged that (i) the 10kV and Below Project Implementation Units shall share and be responsible for the payment of RMB207,875,798 (tax inclusive); and (ii) Sichuan Energy Investment Development Construction as one of the contractors, will receive RMB98,624,009.00 (tax inclusive) for the services to be rendered.

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Note: The total contract sum of RMB967,673,620 (tax inclusive) represent the aggregate of the contract sum of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project (i.e. RMB876,090,408.00 (tax inclusive)) and the contract sum of the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project (i.e. RMB91,583,212.00 (tax inclusive)) under the EPC Contract for 10kV and Below Project. The Group will only take part in part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project in the EPC Contract for 10kV and Below Project.

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The estimated contract price was the successful tender price offered by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents. The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) (the “**Management Measures**”) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of geotechnical engineering and electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors including, among others, (i) from the business aspects, the bidders’ background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged.

The tender price offered was determined by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in accordance with the relevant laws and regulations and documents issued by the governmental authorities, including but not limited to Budget Quota for Power Construction Engineering (《電力建設工程概預算定額》) with reference to on-site inspection and information collected.

Payment terms:

The contract price shall be paid in the following manner:

(i) Advance payments

The advance payment shall be 15% of the total estimated contract price and payable within 14 days upon approval by the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units of the application for advance payments.

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The advance payment shall be credited into the progress payments (as detailed below) once the aggregate progress payments reached 30% of the total contract sum. At which point, 30% of the advance payments shall be credited into each subsequent progress payment until the aggregate amount of progress payments reached 85% of the total estimated contract sum (inclusive of the advance payments credited) and the entire advance payments are credited.

(ii) *Progress payments*

Survey and design fee

Up to 80% of the total survey and design fee (inclusive of advance payments) after confirmation of construction drawing design.

Up to 85% of the total survey and design fee after completion and acceptance of the project.

Up to 97% of the total survey and design after settlement and audit.

The remaining 3% of the total survey and design fee shall be retained as quality warranty and shall be paid after the expiry of defect liability period.

Construction fee

Up to 80% of the total construction fee based on 80% of the actual amount of the construction work completed each month.

Up to 85% of the total construction fee after completion and acceptance of the project.

Up to 97% of the total construction fee after settlement and audit.

The remaining 3% of the total construction fee shall be retained as quality warranty and shall be paid after the expiry of defect liability period.

Equipment and materials fee

Up to 85% of the total equipment and materials fee based on the actual amount of equipment and materials supplied.

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Up to 95% of the total equipment and materials fee based on the actual amount of equipment and materials supplied after completion and acceptance.

Up to 97% of the total equipment and materials fee based on the actual amount of equipment and materials supplied after settlement and audit.

The remaining 3% of the total equipment and materials fee shall be retained as quality warranty.

(iii) Quality warranty

3% of the total estimated contract price shall be retained as quality warranty, which shall be paid (without interest) upon verification of completion of defect liability after the expiry of defect liability period.

**Advance payment
guarantee:**

The contractors shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the EPC Contract for 10kV and Below Project.

The advance payment guarantee shall be released once the advance payment is fully utilised.

**Performance
guarantee:**

The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee. The performance guarantee shall be returned to the contractors 3 months after the satisfactory completion inspection of the 10kV and Below Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractors.

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3.1.2 Equipment and Materials Procurement Contract

On 3 July 2024, after trading hours, the 10kV and Below Project Implementation Units entered into the Equipment and Materials Procurement Contract with, among others, Hydropower Group and Materials Industry Group. The principal terms of the Equipment and Materials Procurement Contract are set out below:

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Materials Industry Group (as contractor);
- (3) 10kV and Below Project Implementation Units; and
- (4) Other 10kV and Below Project Implementation Units

Project: The 10kV and Below Project

The Equipment and Materials Procurement Contract covers two major projects, being the equipment and materials procurement for the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project and the equipment and materials procurement for the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project. The Group will only take part in the equipment and materials procurement for part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project.

Scope of service: The procurement of equipment and material for the 10kV and Below Project

Contract duration: The contractor shall supply the relevant equipment and materials in accordance with the progress of the project, starting from the actual date requested by the principal or the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units

Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent: *(Note)*

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved contractors;

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3. the rural power grid investment contract among Hydropower Group, the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for 10kV and Below Project);
4. the self-financed funds (if any) of the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Note: Save for conditions 4 and 5 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Quality warranty period:

12 months (commencing from the commissioning of the project) or 18 months (commencing from the delivery of products), whichever is the later, unless otherwise specified under national and/or industrial standard and regulations which has a longer warranty period than the aforesaid.

Total estimated contract price payable under the Equipment and Materials Procurement Contract:

RMB972,316,337.92 ^{Note} (tax inclusive) (out of which the 10kV and Below Project Implementation Unit shall share and be responsible for the payment of RMB208,728,821.67 (tax inclusive)), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group.

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Note: The total contract sum of RMB972,316,337.92 (tax inclusive) represent the aggregate of the contract sum of the equipment and materials procurement for the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project (i.e. RMB882,682,245.37 (tax inclusive)) and the contract sum of the equipment and materials procurement for the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project (i.e. RMB89,634,092.55 (tax inclusive)) under the Equipment and Materials Procurement Contract. The Group will only take part in the equipment and materials procurement for part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project in the Equipment and Materials Procurement Contract.

LETTER FROM THE BOARD

Pricing:

The estimated contract price was the successful tender price offered by Materials Industry Group in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents. The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of electrical engineering and power transmission and transformation equipment and facilities pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant. When selecting the successful bidder, the evaluation panel had considered a basket of factors including, among others, (i) from the business aspects, the bidders' background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the timeliness, quality and assurance of equipment and materials to be procured and delivered and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms:

The contract price shall be paid in the following manner:

- (i) 30% of the estimated contract price (tax inclusive) as advance payments within 14 days upon approval by the 10kV and Below Project Implementation Units and the Other 10kV and Below Project Implementation Units of the application for advance payments;
- (ii) 67% of the contract price within 7 working days after acceptance of the equipment and materials supplied and issuance of invoice; and
- (iii) the remaining 3% of the contract price shall be retained as quality warranty and payable (without interests) within 14 days after the expiry of the warranty period and if there is no event of default.

LETTER FROM THE BOARD

Advance payment guarantee: The contractor shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the Equipment and Materials Procurement Contract.

The advance payment guarantee shall be released once the advance payment is fully utilised.

Performance guarantee: The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee. The performance guarantee shall be returned to the contractors 6 months after the satisfactory completion inspection of the 10kV and Below Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractor.

3.1.3 EPC Contract for 35kv and Above Project

On 3 July 2024, after trading hours, the 35kV and Above Project Implementation Units entered into the EPC Contract for 35kV and Above Project with, among others, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction. The principal terms of the EPC Contract for 35kV and Above Project are set out below:

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sichuan Energy Construction (as contractor);
- (3) Sichuan Energy Consolidated Energy (as contractor);
- (4) Sichuan Energy Investment Development Construction (as contractor);
- (5) 35kV and Above Project Implementation Units; and
- (6) Other 35kV and Above Project Implementation Units

Project: The 35kV and Above Project, comprising, among others, the construction and modification of 110kV substations, main transformers, 110kV circuit line, 35kV substations, main transformers and 35kV circuit line.

Scope of service: Survey and design of the project (preliminary design and construction drawing design stages), procurement of equipment and materials, general contracting of construction works

LETTER FROM THE BOARD

Construction period: 275 calendar days

Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent: *(Note)*

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved contractors;
3. the rural power grid investment contract among Hydropower Group, the 35kV and Above Project Implementation Units and Other 35kV and Above Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for 35kV and Above Project);
4. the self-financed funds (if any) of the 35kV and Above Project Implementation Units and Other 35kV and Above Project Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Note: Save for conditions 4 and 5 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Defect liability period: 24 months commencing from the issuance of project delivery certificate

LETTER FROM THE BOARD

Total estimated contract price payable under the EPC Contract for 35kV and Above Project:

RMB718,304,068.00 (tax inclusive) which comprises (i) the survey and design fee of RMB25,580,365.00 (tax inclusive); (ii) the construction fee and other fee of RMB382,589,103.00 (tax inclusive); and (iii) the equipment procurement fee of RMB310,134,600.00 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the total estimated contract price of RMB718,304,068.00 (tax inclusive), it is envisaged that (i) the 35kV and Above Project Implementation Units shall share and be responsible for the payment of RMB107,836,000 (tax inclusive); and (ii) Sichuan Energy Investment Development Construction as one of the contractors, will receive RMB103,906,990 (tax inclusive) for the services to be rendered.

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents. The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of geotechnical engineering and electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors including, among others, (i) from the business aspects, the bidders' background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged.

LETTER FROM THE BOARD

The tender price offered was determined by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in accordance with the relevant laws and regulations and documents issued by the governmental authorities, including but not limited to Budget Quota for Power Construction Engineering (《電力建設工程概預算定額》) with reference to on-site inspection and information collected.

Payment terms:

The contract price shall be paid in the following manner:

(i) Advance payments

The advance payment shall be 15% of the total estimated contract price and payable within 14 days upon approval by the 35kV and Above Project Implementation Units and Other 35kV and Above Project Implementation Units of the application for advance payments.

The advance payment shall be credited into the progress payments (as detailed below) once the aggregate progress payments reached 30% of the total contract sum. At which point, 30% of the advance payments shall be credited into each subsequent progress payment until the aggregate amount of progress payments reached 80% of the total estimated contract sum (inclusive of the advance payments credited) and the entire advance payments are credited.

(ii) Progress payments

Survey and design fee

Up to 80% of the total survey and design fee (inclusive of advance payments) after confirmation of construction drawing design.

Up to 85% of the total survey and design fee after completion and acceptance of the project.

Up to 97% of the total survey and design after settlement and audit.

The remaining 3% of the total survey and design fee shall be retained as quality warranty and shall be paid after the expiry of defect liability period.

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Other progress payments

Up to 80% of the contract price (after deducting the survey and design fee) based on 80% of the actual amount of the work completed each month.

Up to 85% of the total contract price (after deducting the survey and design fee) after completion and acceptance of the project.

Up to 97% of the total contract price after settlement and audit.

The remaining 3% of the total contract price shall be retained as quality warranty and shall be paid after the expiry of defect liability period.

(iii) Quality warranty

3% of the total estimated contract price shall be retained as quality warranty, which shall be paid (without interest) upon verification of completion of defect liability after the expiry of defect liability period.

Advance payment guarantee:

The contractors shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the EPC Contract for 35kV and Above Project.

The advance payment guarantee shall be released once the advance payment is fully utilised.

Performance guarantee:

The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee. The performance guarantee shall be returned to the contractors 3 months after the satisfactory completion inspection or delivery (where applicable) of the 35kV and Above Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractors.

LETTER FROM THE BOARD

3.1.4 EPC Contract for Automation Engineering Project

On 3 July 2024, after trading hours, the Automation Engineering Project Implementation Units entered into the EPC Contract for Automation Engineering Project with, among others, Hydropower Group, Sun Technology and Sichuan Energy Consolidated Energy. The principal terms of the EPC Contract for Automation Engineering Project are set out below:

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sun Technology;
- (3) Sichuan Energy Consolidated Energy;
- (4) Automation Engineering Project Implementation Units; and
- (5) Other Automation Engineering Project Implementation Units

Project The Automation Engineering Project, comprising, among others, (i) the construction of the portion of various 35kV and above projects relating to communication and auxiliary control; (ii) the automation improvement engineering, including rural power grid dispatching automation engineering, transformers station operation, maintenance and recondition and main station system engineering, dispatching automation network security level protection engineering, distribution grid dispatching automation engineering, energy use safety engineering and rural power grid distribution energy automation system and supporting projects of Hydropower Group; and (iii) communication improvement project in Changning County, which includes the improvement of the rural power grid communication system within the county

Scope of service: Design (preliminary design and construction drawing design stages), installation, commissioning and general contracting, and procurement of equipment and materials with respect to the Automation Engineering Project

Construction period: 275 calendar days

Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent: *(Note)*

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;

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2. Hydropower Group having received the performance guarantee from the approved contractors;
3. the rural power grid investment contract among Hydropower Group, the Automation Engineering Project Implementation Units and Other Automation Engineering Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for Automation Engineering Project);
4. the self-financed funds (if any) of the Automation Engineering Project Implementation Units and Other Automation Engineering Project Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Note: Save for conditions 4 and 5 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Defect liability period:	24 months commencing from the issuance of project delivery certificate
Total estimated contract price payable under the EPC Contract for Automation Engineering Project:	RMB90,694,397.00 (tax inclusive) which comprises (i) the design fee of RMB3,175,063.00 (tax inclusive); (ii) the construction fee and other fee of RMB13,426,622.00 (tax inclusive); and (iii) the equipment procurement fee of RMB74,092,712.00 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the total estimated contract price of RMB90,694,397.00 (tax inclusive), it is envisaged that the Automation Engineering Project Implementation Units shall share and be responsible for the payment of RMB9,863,897 (tax inclusive).

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

LETTER FROM THE BOARD

Pricing:

The estimated contract price was the successful tender price offered by Sun Technology and Sichuan Energy Consolidated Energy in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents. The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of electrical engineering, communication engineering and information engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors including, among others, (i) from the business aspects, the bidders' background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms:

The contract price shall be paid in the following manner:

(i) Advance payments

The advance payment shall be 30% of the total estimated contract price and payable within 14 days upon approval by the Automation Engineering Project Implementation Units and Other Automation Engineering Project Implementation Units of the application for advance payments.

The advance payment shall be credited into the progress payments (as detailed below) once the aggregate progress payments reached 30% of the total contract sum. At which point, 30% of the advance payments shall be credited into each subsequent progress payment until the aggregate amount of progress payments reached 80% of the total estimated contract sum (inclusive of the advance payments credited) and the entire advance payments are credited.

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(ii) Progress payments

Up to 80% of the total contract price based on 80% of the actual amount of work completed each month.

Up to 85% of the total contract price after completion and acceptance of the project.

Up to 97% of the total contract price after settlement and audit.

(iii) Quality warranty

3% of the total estimated contract price shall be retained as quality warranty, which shall be paid (without interest) upon verification of completion of defect liability after the expiry of defect liability period.

**Advance payment
guarantee:**

The contractors shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the EPC Contract for Automation Engineering Project.

The advance payment guarantee shall be released once the advance payment is fully utilised.

**Performance
guarantee:**

The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee. The performance guarantee shall be returned to the contractors 3 months after the satisfactory completion inspection and delivery of the Automation Engineering Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractors.

LETTER FROM THE BOARD

3.1.5 Construction Supervision Contract

On 3 July 2024, after trading hours, the Construction Supervision Implementation Units entered into the Construction Supervision Contract with Hydropower Group and Sichuan Yilian. The principal terms of the Construction Supervision Contract are set out below:

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sichuan Yilian (as supervisor);
- (3) Construction Supervision Implementation Units; and
- (4) Other Construction Supervision Implementation Units

Project: The 2023 Rural Power Grid Consolidation and Improvement Project and the New Rural Power Grid Consolidation and Improvement Project

The Construction Supervision Contract covers two major projects, being the construction supervision of the 2023 Rural Power Grid Consolidation and Improvement Project and the construction supervision of the New Rural Power Grid Consolidation and Improvement Project. The Group will only take part in the construction supervision of part of the 2023 Rural Power Grid Consolidation and Improvement Project.

Scope of service: Construction supervision services

Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent: *(Note)*

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved supervisor;
3. the rural power grid investment contract among Hydropower Group, the Construction Supervision Implementation Units and Other Construction Supervision Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the Construction Supervision Contract);

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4. the self-financed funds (if any) of the Construction Supervision Implementation Units and Other Construction Supervision Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Note: Save for conditions 4 and 5 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

**Quality defect
liability period:**

12 months

**Total estimated
contract price
payable under
the Construction
Supervision
Contract:**

RMB39,932,942.00 *Note* (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the total estimated contract price of RMB39,932,942.00 *Note* (tax inclusive), it is envisaged that the Construction Supervision Implementation Units shall share and be responsible for the payment of RMB7,733,670 (tax inclusive).

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Note: The total contract sum of RMB39,932,942.00 (tax inclusive) represent the aggregate of the contract sum of the construction supervision for the 2023 Rural Power Grid Consolidation and Improvement Project (i.e. RMB37,435,804.00 (tax inclusive)) and the contract sum of the construction supervision for the New Rural Power Grid Consolidation and Improvement Project (i.e. RMB2,497,138.00 (tax inclusive)) in the Construction Supervision Contract. The Group will only take part in the construction supervision for part of the 2023 Rural Power Grid Consolidation and Improvement Project.

LETTER FROM THE BOARD

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Yilian in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents. The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the field of electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant. When selecting the successful bidder, the evaluation panel had considered a basket of factors including, among others, (i) from the business aspects, the bidders' background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms:

The contract price shall be paid in the following manner:

- (i) 15% of the estimated contract price as advance payments within 14 days upon approval by the Construction Supervision Implementation Units and Other Construction Supervision Implementation Units of the application for advance payments;
- (ii) up to 80% of the contract price based on the actual amount of construction work completed every two months;
- (iii) up to 97% of the contract price after settlement and audit, delivery of all supervision materials and execution of project delivery certificate; and
- (iv) the remaining 3% of the contract price shall be retained as quality warranty and payable after the expiry of the quality defect liability period.

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Advance payment guarantee:	<p>The contractors shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the Construction Supervision Contract.</p> <p>The advance payment guarantee shall be released once the advance payment is fully utilised.</p>
Performance guarantee:	<p>The supervisor shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee. The performance guarantee shall be returned to the contractors after the satisfactory completion inspection of the project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the supervisor.</p>

3.2 ALLOCATION ARRANGEMENT OF CONTRACT PRICE PAYABLE

As detailed above, the Group is responsible for the payment of (i) RMB207,875,798 (tax inclusive) out of the total estimated contract price of RMB967,673,620 (tax inclusive) under the EPC Contract for 10kV and Below Project; (ii) RMB208,728,821.67 (tax inclusive) out of the total estimated contract price of RMB972,316,337.92 (tax inclusive) under the Equipment and Materials Procurement Contract; (iii) RMB107,836,000 (tax inclusive) out of the total estimated contract price of RMB718,304,068.00 (tax inclusive) under the EPC Contract for 35kv and Above Project; (iv) RMB9,863,897 (tax inclusive) out of the total estimated contract price of RMB90,694,397.00 (tax inclusive) under the EPC Contract for Automation Engineering Project; and (v) RMB7,733,670 (tax inclusive) out of the total estimated contract price of RMB39,932,942.00 (tax inclusive) under the Construction Supervision Contract.

The EPC Contract for 10kV and Below Project and the Equipment and Materials Procurement Contract cover the same 26 counties (cities and districts), including Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County which the Group (through the 10kV and Below Project Implementation Units) is responsible for the works of the projects thereat. The EPC Contract for 35kV and Above Project covers 16 counties (cities and districts), including Xuzhou District, Pingshan County, Gong County and Junlian County, which the Group (through the 35vK and Above Project Implementation Units) is responsible for the works and projects thereat. The EPC Contract for Automation Engineering Project covers 24 counties (cities and districts), including Xuzhou District, Gao County, Gong County, Julian County, Pingshan County and Xingwen County, which the Group (through the Automation Engineering Project Implementation Units) is responsible for the works and projects thereat. The Construction Supervision Contract covers 27 counties (cities and districts), including Xuzhou District, Gao County, Gong County, Julian County, Pingshan County and Xingwen County, which the Group (through the Construction Supervision Implementation Units) is responsible for the construction supervision thereat.

LETTER FROM THE BOARD

Generally, based on the parties' agreed work allocation arrangement, each of the implementation units under the 2023 Rural Power Grid Contracts would be responsible for the part of the projects conducted in the counties, cities or districts where it is located at (including overseeing the work quality of the subcontractor, progress of the construction and payment, etc.), and share the related costs of such part of the projects. On this premise, the Group (in the capacity as the relevant implementation units) would bear the costs of the relevant projects conducted in Xuzhou District, Gao County, Gong County, Julian County, Pingshan County and/or Xingwen County, and hold ownership of such part of the assets upon completion of the relevant construction it is responsible for. The amount of the costs to be shared under each 2023 Rural Power Grid Contracts is therefore determined with reference to the aforesaid agreed work allocation arrangement between the parties and the quotations in the successful tender, which set out the estimated fee quote for the works to be carried out in each county (city, district).

3.3 REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 RURAL POWER GRID CONTRACTS

According to the Approval of the Sichuan Province Development and Reform Commission on the 2023 Rural Power Grid Consolidation and Improvement Project Feasibility Study Report (Chuan Fa Gai Neng Yuan [2023] No. 86) (四川省發展和改革委員會關於2023年農網鞏固提升工程項目可行性研究報告的批覆(川發改能源[2023]86號)), Hydropower Group shall be responsible for the unified organization and implementation of the 2023 Rural Power Grid Consolidation and Improvement Project. As such, Hydropower Group conducted public tender in compliance with the requirements of the Bidding law of the People's Republic of China (《中華人民共和國招投標法》) and other relevant laws and regulations and finally determined the winning bidders of the 2023 Rural Power Grid Contracts. The implementation of the 2023 Rural Power Grid Consolidation and Improvement Project will further improve the power grid structure within the supply area of the Group, enhance the quality of rural power grid electricity supply within the supply area and better serve the rural areas and boost the economy.

The Directors (including the independent non-executive Directors who express their views after considering the advice from the Independent Financial Adviser but excluding the Directors who have abstained from voting on the Board resolutions (as set out below) to approve the 2023 Rural Power Grid Contracts)) are of the view that the 2023 Rural Power Grid Contracts are entered into (i) on normal commercial terms or better; and (ii) on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As Mr. He Jing, Mr. Wang Yuanchun and Ms. Xie Peixi are the Directors nominated by Hydropower Group, they have abstained from voting on the Board resolutions to approve the 2023 Rural Power Grid Contracts voluntarily. Save and except for the aforesaid, none of the Directors has any material interest in the 2023 Rural Power Grid Contracts and was required to abstain from voting on the relevant Board resolutions in relation to the 2023 Rural Power Grid Contracts.

LETTER FROM THE BOARD

4 INFORMATION OF PARTIES INVOLVED

The Company

The Company is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales.

Yibin Zhangwo

Yibin Zhangwo is a limited liability company established in the PRC which was held as to approximately 66.67% by Jinding Group and 33.33% by Shenzhen Aizhong Capital Management Co., Ltd* (深圳愛眾資本管理有限公司) as at the Latest Practicable Date. As at the Latest Practicable Date, Jinding Group was held as to approximately 69.39% by Hydropower Group and approximately 30.61% by Energy Investment Group, whereas Shenzhen Aizhong Capital Management Co., Ltd. was the wholly-owned subsidiary of Sichuan Guangan AAA Public Co., Ltd.* (四川廣安愛眾股份有限公司) (a joint stock company established in the PRC and the shares of which were listed on the Shanghai Stock Exchange (Stock Code: 600979). Yinbin Zhangwo primarily engaged in hydropower generation.

Shuifu Hongli

Shuifu Hongli is a limited liability company established in the PRC which was held as to approximately 66.67% by Jinding Group and 33.33% by Shenzhen Aizhong Capital Management Co., Ltd. as at the Latest Practicable Date. For the background of Jinding Group and Shenzhen Aizhong Capital Management Co., Ltd., please refer to the above.

Xuzhou Electricity

Xuzhou Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company engaged in the development, production and sale of electricity.

Gao County Electricity

Gao County Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company engaged in power generation and supply and trading of electrical equipment.

Gong County Electricity

Gong County Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company and engaged in power generation and supply.

Junlian Electricity

Junlian Electricity a limited liability company established in the PRC and a wholly-owned subsidiary of the Company and engaged in power supply service and the purchase and sale of power supply equipment.

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Pingshan Electricity

Pingshan Electricity is a limited liability company established in the PRC and a wholly owned subsidiary of the Company engaged in power generation and supply in Pingshan County, Yibin City, Sichuan Province.

Xingwen Electricity

Xingwen Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company and engaged in power supply and production and sale of electrical equipment.

Sichuan Energy Investment Development Construction

Sichuan Energy Investment Development Construction Co., Ltd. * (四川能投發展建設有限公司) (formerly known as Sichuan Energy Yibin Electricity Engineering Co. Ltd.* (四川能投宜賓電力工程建設有限公司)) is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company which engaged in inspection and maintenance of transformer substations, hydropower stations and electricity transmission lines.

Hydropower Group

Hydropower Group was owned as to approximately 77.74% by Energy Investment Group, and owned indirectly as to 9.16% by China Construction Bank Corporation* (中國建設銀行股份有限公司) (a bank with state-owned background in the PRC dually listed on the Stock Exchange (stock code: 00939) and the Shanghai Stock Exchange (stock code: 601939)), approximately 6.55% by Agricultural Bank of China Limited* (中國農業銀行股份有限公司) (a bank with state-owned background in the PRC dually listed on the Stock Exchange (stock code: 01288) and the Shanghai Stock Exchange (stock code: 601288)), and approximately 6.55% by Bank of China Limited* (中國銀行股份有限公司) (a bank with state-owned background in the PRC dually listed on the Stock Exchange (stock code: 03988) and the Shanghai Stock Exchange (stock code: 601988)) as at the Latest Practicable Date. As at the Latest Practicable Date, Energy Investment Group was wholly-owned by Sichuan Development Co., which was in turn owned as to 90% by the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government* (四川省政府國有資產監督管理委員會) and as to 10% by the Sichuan Provincial Department of Finance* (四川省財政廳), respectively.

LETTER FROM THE BOARD

Sichuan Energy Construction

Sichuan Energy Construction is a limited liability company established in the PRC and is held as to approximately 93.52% by Energy Investment Group, 3.80% by Hydropower Group and 2.68% by Sichuan Chemical Works Group Ltd.* (川化集團有限責任公司). Sichuan Energy Construction is engaged in project planning, project investment, design and consulting, construction, operation in engineering construction.

Sichuan Energy Consolidated Energy

Sichuan Energy Consolidated Energy is a limited liability company established in the PRC, a wholly-owned subsidiary of Hydropower Group. Sichuan Energy Consolidated Energy is principally engaged in power transmission and supply, installation, maintenance and testing of power receiving facilities, engineering survey, design and construction and engineering project costs consultation services.

Materials Industry Group

Material Industry Group is a limited liability company established in the PRC on 16 April 2013 and a wholly-owned subsidiary of Energy Investment Group and engaged in sale of metal materials and products, sale of construction materials, sale of cement products, sale of coal and related products, and sale of electrical equipment.

Sun Technology

Sun Technology is a limited liability company established in the PRC and is owned as to approximately 67% by Hydropower Group, approximately 25% by Sichuan LenSyn Technology Co., Ltd.* (四川能信科技股份有限公司) and approximately 8% by Mr. Li Guangying (李光映). It is primarily engaged in the development and sale of computer software and hardware. Sichuan LenSyn Technology Co., Ltd. is a company with issued shares quoted on the National Equities Exchange and Quotations (stock code: 837522).

Sichuan Yilian

Sichuan Yilian is a limited liability company established in the PRC and is indirectly owned as to approximately 33.52% by Energy Investment Group, directly owned as to approximately 66.48% by four individual investors namely Chen Wei (譚維), Yan Jingsong (閻勁松), Li Zhixiang (李志翔) and Chen Zhiqi (陳志棋), all of whom are independent third parties.

LETTER FROM THE BOARD

Other Implementation Units

Other 10kV and Below Project Implementation Units

Other 10kV and Below Project Implementation Units comprise (a) Sichuan Energy Investment Changning Electric Power Co., Ltd.* (四川能投長寧電力有限公司), Dazhou Electric Power Group Co., Ltd.* (達州電力集團有限公司), Sichuan Hydropower Group Dazhou Electric Power Co., Ltd.* (四川省水電集團大竹電力有限公司), Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electric Power Co., Ltd.* (四川省水電投資經營集團開江明月電力有限公司), Sichuan Hydropower Investment and Management Group Quxian Electric Power Co., Ltd.* (四川省水電投資經營集團渠縣電力有限責任公司), Sichuan Hydropower Investment and Management Group Wan yuan Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團萬源市龍源電力有限責任公司), Sichuan Zhaojue Electric Power Co., Ltd.* (四川昭覺電力有限責任公司), Luzhou Yuyu Electric Power Development Co., Ltd.* (瀘州玉宇電力有限責任公司), Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團資中龍源電力有限公司), Sichuan Hydropower Investment and Management Group Qingchuan Electric Power Co., Ltd.* (四川省水電投資經營集團青川電力有限公司), Sichuan Guang'an Aizhong Co., Ltd.* (四川廣安愛眾股份有限公司), Sichuan Yuechi Aizhong Electric Power Co., Ltd.* (四川省岳池愛眾電力有限公司), Huaying City Local Electric Power Co., Ltd.* (華鎣市地方電力有限責任公司), Sichuan Hydropower Investment and Management Group Yong'an Electric Power Co., Ltd.* (四川省水電投資經營集團永安電力股份有限公司), Sichuan Pingwu Electric Power (Group) Co., Ltd.* (四川省平武電力(集團)有限公司), and Sichuan Hydropower Group Jiangyuan Electric Power Co., Ltd.* (四川省水電集團江源電力有限公司), all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group; and (b) Sichuan Dadu River Electric Power Co., Ltd.* (四川大渡河電力股份有限公司), a joint stock company established in the PRC with limited liability held as to approximately 58.09% by E'bian Yi Autonomous County Financial Bureau (峨邊彝族自治縣財政局) and 17.5% by Song Yunjie (宋雲傑) (and no other shareholders directly hold more than 10% or more of equity interests in the company), which mainly engaged in power generation and supply (collectively the “**Other 10kV and Below Project Implementation Units**”).

LETTER FROM THE BOARD

Other 35kV and Above Project Implementation Units

Other 35kV and Above Project Implementation Units comprise Sichuan Energy Investment Changning Electric Power Co., Ltd.* (四川能投長寧電力有限公司), Dazhou Electric Power Group Co., Ltd.* (達州電力集團有限公司), Sichuan Hydropower Group Dazhou Electric Power Co., Ltd.* (四川省水電集團大竹電力有限公司), Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electric Power Co., Ltd.* (四川省水電投資經營集團開江明月電力有限公司), Sichuan Hydropower Investment and Management Group Quxian Electric Power Co., Ltd.* (四川省水電投資經營集團渠縣電力有限責任公司), Sichuan Hydropower Investment and Management Group Wan yuan Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團萬源市龍源電力有限責任公司), Luzhou Yuyu Electric Power Co., Ltd.* (瀘州玉宇電力有限責任公司), Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團資中龍源電力有限公司), Sichuan Hydropower Investment and Management Group Yong'an Electric Power Co., Ltd.* (四川省水電投資經營集團永安電力股份有限公司), Sichuan Pingwu Electric Power (Group) Co., Ltd.* (四川省平武電力(集團)有限公司), Sichuan Hydropower Group Jiangyuan Electric Power Co., Ltd.* (四川省水電集團江源電力有限公司), Sichuan Hydropower Investment and Management Group Meigu Electric Power Co., Ltd.* (四川省水電投資經營集團美姑電力有限公司), all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group (collectively the “**Other 35kV and Above Project Implementation Units**”).

Other Automation Engineering Project Implementation Units

Other Automation Engineering Project Implementation Units comprise Dazhou Electric Power Group Co., Ltd.* (達州電力集團有限公司), Sichuan Hydropower Group Dazhou Electric Power Co., Ltd.* (四川省水電集團大竹電力有限公司), Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electric Power Co., Ltd.* (四川省水電投資經營集團開江明月電力有限公司), Sichuan Hydropower Investment and Management Group Quxian Electric Power Co., Ltd.* (四川省水電投資經營集團渠縣電力有限責任公司), Sichuan Hydropower Investment and Management Group Wan yuan Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團萬源市龍源電力有限責任公司), Sichuan Zhaojue Electric Power Co., Ltd.* (四川昭覺電力有限責任公司), Luzhou Yuyu Electric Power Co., Ltd.* (瀘州玉宇電力有限責任公司), Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團資中龍源電力有限公司), Sichuan Hydropower Investment and Management Group Qingchuan Electric Power Co., Ltd.* (四川省水電投資經營集團青川電力有限公司), Huaying Local Electric Power Co., Ltd.* (華鎣市地方電力有限責任公司), Sichuan Hydropower Investment and Management Group Yong'an Electric Power Co., Ltd.* (四川省水電投資經營集團永安電力股份有限公司), Sichuan Pingwu Electric Power (Group) Co., Ltd.* (四川省平武電力(集團)有限公司), Sichuan Hydropower Group Jiangyuan Electric Power Co., Ltd.* (四川省水電集團江源電力有限公司), Sichuan Hydropower Investment and Management Group Meigu Electric Power Co., Ltd.* (四川省水電投資經營集團美姑電力有限公司), Sichuan Hydropower Investment and Management Group Puge Electric Power Co., Ltd.* (四川省水電投資經營集團普格電力有限公司), Sichuan Hydropower Group Jinyuan Electric Power Co., Ltd.* (四川省水電集團金陽電力有限公司), Sichuan Hydropower Investment and Management Group Dege Gesar Electric Power Co., Ltd.* (四川省水電投資經營集團德格格薩爾電力有限公司), all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group (collectively the “**Other Automation Engineering Project Implementation Units**”).

LETTER FROM THE BOARD

Other Construction Supervision Implementation Units

Other Construction Supervision Implementation Units comprise (a) Sichuan Energy Investment Changning Electric Power Co., Ltd.* (四川能投長寧電力有限公司), Dazhou Electric Power Group Co., Ltd.* (達州電力集團有限公司), Sichuan Hydropower Group Dazhou Electric Power Co., Ltd.* (四川省水電集團大竹電力有限公司), Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electric Power Co., Ltd.* (四川省水電投資經營集團開江明月電力有限公司), Sichuan Hydropower Investment and Management Group Quxian Electric Power Co., Ltd.* (四川省水電投資經營集團渠縣電力有限責任公司), Sichuan Hydropower Investment and Management Group Wan yuan Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團萬源市龍源電力有限責任公司), Sichuan Zhaojue Electric Power Co., Ltd.* (四川昭覺電力有限責任公司), Luzhou Yuyu Electric Power Co., Ltd.* (瀘州玉宇電力有限責任公司), Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electric Power Co., Ltd.* (四川省水電投資經營集團資中龍源電力有限公司), Sichuan Hydropower Investment and Management Group Qingchuan Electric Power Co., Ltd.* (四川省水電投資經營集團青川電力有限公司), Sichuan Guang'an Aizhong Co., Ltd.* (四川廣安愛眾股份有限公司), Sichuan Yuechi Aizhong Electric Power Co., Ltd.* (四川省岳池愛眾電力有限公司), Huaying City Local Electric Power Co., Ltd.* (華鎣市地方電力有限責任公司), Sichuan Hydropower Investment and Management Group Yong'an Electric Power Co., Ltd.* (四川省水電投資經營集團永安電力股份有限公司), Sichuan Pingwu Electric Power (Group) Co., Ltd.* (四川省平武電力(集團)有限公司), Sichuan Hydropower Group Jiangyuan Electric Power Co., Ltd.* (四川省水電集團江源電力有限公司), Sichuan Hydropower Investment and Management Group Puge Electric Power Co., Ltd.* (四川省水電投資經營集團普格電力有限公司), Sichuan Hydropower Group Jinyuan Electric Power Co., Ltd.* (四川省水電集團金陽電力有限公司), Sichuan Hydropower Investment and Management Group Dege Gesar Electric Power Co., Ltd.* (四川省水電投資經營集團德格格薩爾電力有限公司), all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group; and (b) Sichuan Dadu River Electric Power Co., Ltd.* (四川大渡河電力股份有限公司), a joint stock company established in the PRC with limited liability held as to approximately 58.09% by E'bian Yi Autonomous County Financial Bureau (峨邊彝族自治縣財政局) and 17.5% by Song Yunjie (宋雲傑) (and no other shareholders directly hold more than 10% or more of equity interests in the company), which mainly engaged in power generation and supply (collectively the “**Other Construction Supervision Implementation Units**”).

5 LISTING RULES IMPLICATIONS

5.1 Electricity Purchase Framework Agreements

As at the Latest Practicable Date, each of Yibin Zhangwo and Shuifu Hongli was held as to approximately 66.67% by Jinding Group, which was in turn held as to approximately 69.39% by Hydropower Group and approximately 30.61% by Energy Investment Group. Both Hydropower Group and Energy Investment Group are the controlling shareholders of the Company, and hence each of Yibin Zhangwo and Shuifu Hongli is an associate of the controlling shareholders of the Company and a connected person of the Company under Rule 14A.07 of the Listing Rules.

LETTER FROM THE BOARD

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Electricity Purchase Framework Agreements are required to be aggregated as the Electricity Purchase Framework Agreements were entered into by the Company with the same group of connected persons, as both Yibin Zhangwo and Shuifu Hongli are both indirectly majority held by Hydropower Group and Energy Investment Group (the controlling shareholders of the Company), and the nature of transactions contemplated under the Electricity Purchase Framework Agreements are identical.

As the highest applicable percentage ratio in respect of the annual caps for the transactions contemplated under the Electricity Purchase Framework Agreements on an aggregated basis exceeds 5%, the transactions contemplated under the Electricity Purchase Framework Agreements will be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5.2 2023 Rural Power Grid Contracts

5.2.1 EPC Contract for 10kV and Below Project

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other 10kV and Below Project Implementation Units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Consolidated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and certain Other 10kV and Below Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for 10kV and Below Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

5.2.2 Equipment and Materials Procurement Contract

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other 10kV and Below Project Implementation Units are associates of Hydropower Group. Materials Industry Group is a wholly-owned subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Materials Industry Group and certain Other 10kV and Below Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Equipment and Materials Procurement Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

5.2.3 EPC Contract for 35kv and Above Project

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other 35kV and Above Project Implementation Units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Consolidated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and certain Other 35kV and Above Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for 35kV and Above Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

5.2.4 EPC Contract for Automation Engineering Project

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other Automation Engineering Project Implementation Units are associates of Hydropower Group. Sun Technology is a direct subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Sichuan Energy Consolidated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sun Technology, Sichuan Energy Consolidated Energy and certain Other Automation Engineering Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for Automation Engineering Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

5.2.5 Construction Supervision Contract

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other Construction Supervision Implementation Units are associates of Hydropower Group. Sichuan Yilian is a subsidiary of Energy Investment Group which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Yilian and the Other Construction Supervision Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Construction Supervision Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio in respect of the transactions contemplated under the 2023 Rural Power Grid Contracts on an aggregated basis (i) exceeds 25% but is less than 100%, the transactions contemplated thereunder constitute major transactions of the Company which are subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) exceeds 5% and the total consideration is more than HK\$10,000,000, the transactions contemplated thereunder constitute connected transactions of the Company and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Based on the Company's past experience and estimation, the estimated maximum final settlement price of the EPC Contract for 10kV and Below Project, the Equipment and Materials Procurement Contract, the EPC Contract for 35kV and Above Project, the EPC Contract for Automation Engineering Project and the Construction Supervision Contract is expected to have a fluctuation of no more than 5% from the contract price. If the actual final settlement price of the 2023 Rural Power Grid Contracts exceeds the estimated maximum final settlement price, the Company will make relevant announcement(s) as and when necessary and fulfill the relevant requirements under the Listing Rules (if applicable).

6. THE EGM

The EGM will be held at Hydropower Building, No. 789 Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC at 10:00 a.m. on Thursday, 10 October 2024 to consider and, if thought fit, to pass resolutions in respect of the matters set out in the notice of the EGM. A form of proxy and a reply slip will be published on the Company's website at www.scntgf.com and the website of the Stock Exchange at www.hkexnews.hk on 20 September 2024.

Hydropower Group is owned as to approximately 77.74% by Energy Investment Group, which is in turn wholly-owned by Sichuan Development Co.. As at the Latest Practicable Date, each of Yibin Zhangwo and Shuifu Hongli was held as to approximately 66.67% by Jinding Group, which was in turn held as to approximately 69.39% by Hydropower Group and approximately 30.61% by Energy Investment Group. As a result, each of Hydropower Group, Energy Investment Group, Sichuan Development Co. and their respective associates are regarded as having a material interest in the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts and therefore will abstain from voting on the resolutions in relation to the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts at the EGM. As at the Latest Practicable Date, Hydropower Group held 394,398,400 Shares, comprising 286,960,942 Domestic Shares and 107,437,458 H Shares (together representing approximately 36.71% of the total issued Shares) and Hydropower Group is held as to approximately 77.74% of equity interests by Energy Investment Group, which is in turn wholly-owned by Sichuan Development Co.. As a result, by virtue of the SFO, Sichuan Development Co. and Energy Investment Group are deemed to be interested in the 394,398,400 Shares, comprising 286,960,942 Domestic Shares and 107,437,458 H Shares (together representing approximately 36.71% of the total issued Shares) held by Hydropower Group. In addition, Sichuan Development Co. directly held 24,937,600 H Shares (representing approximately 2.32% of the total issued Shares) of the Company (and therefore Sichuan Development Co. is deemed to be interested in 286,960,942 Domestic Shares and 132,375,058 H Shares in aggregate, representing approximately 39.03% of the total issued Shares). Accordingly, each of Hydropower Group, Energy Investment Group and Sichuan Development Co. will abstain from voting on the resolutions in relation to the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts at the EGM. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all such reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

Whether or not you intend to attend and/or vote at the EGM, you are requested to complete and return the form of proxy in accordance with the instruction printed thereon. If you intend to attend the EGM, you are required to complete and return the reply slip to the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares on or before Wednesday, 2 October 2024.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting, should you so wish and completion and return of the reply slip do not affect the right of a Shareholder to attend and vote at such meeting.

7. VOTING BY POLL

According to 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. Results of the poll voting will be published on the Company's website at www.scntgf.com and the website of the Stock Exchange at www.hkexnews.hk after the EGM.

8. RECOMMENDATION

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder. In addition, the Company has appointed Messis as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Having considered the advice from the Independent Financial Adviser in relation to the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder, which is set out on pages 57 to 109 of this circular, the Independent Board Committee is of the opinion that the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts are in the ordinary and usual course of the Group's business, and the transactions contemplated thereunder respectively are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

Having considered the reasons set out herein, the Directors are of the opinion that the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder respectively are in the ordinary and usual course of the Group's business, and the transactions contemplated thereunder respectively are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts to be proposed at the EGM.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information included in the appendices to this circular.

By order of the Board
Sichuan Energy Investment Development Co., Ltd.*
He Jing
Chairman

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



四川能投發展股份有限公司
Sichuan Energy Investment Development Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01713)

20 September 2024

To the Independent Shareholders

**(1) CONTINUING CONNECTED TRANSACTIONS – ELECTRICITY
PURCHASE FRAMEWORK AGREEMENTS; AND
(2) MAJOR TRANSACTIONS AND CONNECTED TRANSACTIONS IN
RELATION TO (a) EPC CONTRACT FOR 10KV AND BELOW PROJECT;
(b) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT; (c)
EPC CONTRACT FOR 35KV AND ABOVE PROJECT; (d) EPC CONTRACT
FOR AUTOMATION ENGINEERING PROJECT; AND (e) CONSTRUCTION
SUPERVISION CONTRACT**

Dear Sir or Madam,

We refer to the circular of the Company dated 20 September 2024 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you in relation to the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder respectively.

We wish to draw your attention to the letter from Independent Financial Adviser set out on pages 57 to 109 of the Circular and the letter from the Board set out on pages 8 to 54 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by Messis, the Independent Financial Adviser, regarding the Electricity Purchase Framework Agreements, the 2023 Rural Power Grid Contracts and its conclusion and advice, we concur with the view of the Independent Financial Adviser and consider that the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts are in the ordinary and usual course of the Group's business, and the transactions contemplated thereunder respectively are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect to the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Siu Chi Hung
Independent
Non-Executive
Director

Chen Chuan
Independent
Non-Executive
Director

Mou Yingshi
Independent
Non-Executive
Director

Li Jian
Independent
Non-Executive
Director

He Yin
Independent
Non-Executive
Director

* *For identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital Limited which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this Circular.

MESSIS 大有融資

20 September 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(1) CONTINUING CONNECTED TRANSACTIONS
ELECTRICITY PURCHASE FRAMEWORK AGREEMENTS;
AND
(2) MAJOR TRANSACTIONS AND CONNECTED TRANSACTIONS IN
RELATION TO (a) EPC CONTRACT FOR 10KV AND BELOW PROJECT;
(b) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(c) EPC CONTRACT FOR 35KV AND ABOVE PROJECT;
(d) EPC CONTRACT FOR AUTOMATION ENGINEERING PROJECT; AND
(e) CONSTRUCTION SUPERVISION CONTRACT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the (i) Electricity Purchase Framework Agreements as well as the proposed annual caps for the transactions contemplated under the Electricity Purchase Framework Agreements for each of the three years ending 31 December 2024, 2025 and 2026; and (ii) the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” in the Company’s circular dated 20 September 2024, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 16 May 2024 regarding on the same day after trading hours, (i) the Company entered into the Yibin Zhangwo Electricity Purchase Framework Agreement with Yibin Zhangwo; and (ii) the Company entered into the Shuifu Hongli Electricity Purchase Framework Agreement with Shuifu Hongli. Pursuant to the Yibin Zhangwo Electricity Purchase Framework Agreement and the Shuifu Hongli Electricity Purchase Framework Agreement, Yibin Zhangwo and Shuifu Hongli shall respectively supply electricity to the Company and its subsidiaries from the effective date of the respective agreement and up to 31 December 2026.

Reference is also made to the announcement of the Company dated 3 July 2024 in relation to, among others, (1) the EPC Contract for 10kV and Below Project; (2) the Equipment and Materials Procurement Contract; (3) the EPC Contract for 35kV and Above Project; (4) the EPC Contract for Automation Engineering Project; and (5) the Construction Supervision Contract.

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On 3 July 2024, after trading hours:

- (i) the 10kV and Below Project Implementation Units (all of which are subsidiaries of the Company) entered into the EPC Contract for 10kV and Below Project with, among others, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction, pursuant to which Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction agreed to provide engineering, procurement and construction services for the 10kV and Below Project;
- (ii) the 10kV and Below Project Implementation Units (all of which are subsidiaries of the Company) entered into the Equipment and Materials Procurement Contract with, among others, Hydropower Group and Materials Industry Group, pursuant to which, Materials Industry Group agreed to provide procurement of equipment and materials service for the 10kV and Below Project;
- (iii) the 35kV and Above Project Implementation Units (all of which are subsidiaries of the Company) entered into the EPC Contract for 35kV and Above Project with Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction, pursuant to which, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction agreed to provide engineering, procurement and construction services for the 35kV and Above Project;
- (iv) the Automation Engineering Project Implementation Units (all of which are subsidiaries of the Company) entered into the EPC Contract for Automation Engineering Project with among others, Hydropower Group, Sun Technology and Sichuan Energy Consolidated Energy, pursuant to which, Sun Technology and Sichuan Energy Consolidated Energy agreed to provide engineering, procurement and construction services for the communication and auxiliary control and automation improvement engineering and communication improvement engineering of the Automation Engineering Project; and
- (v) the Construction Supervision Implementation Units (all of which are subsidiaries of the Company) entered into the Construction Supervision Contract with, among others, Hydropower Group and Sichuan Yilian, pursuant to which, Sichuan Yilian agreed to provide construction supervision service.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Electricity Purchase Framework Agreements

The Group have been purchasing electricity from Zhangwo Power Station and Dayukong Power Station since October 2017 and February 2013, respectively. It has come to the attention of the Company that Zhangwo Power Station and Dayukong Power Station were subsequently held under Yibin Zhangwo and Shuifu Hongli respectively, which then in turn underwent several rounds of internal reorganisation. As at the date of this announcement, the majority equity interests of Yibin Zhangwo and Shuifu Hongli were held by Jinding Group, which was in turn held by Hydropower Group and Energy Investment Group. The purchases of electricity by the Group from Zhangwo Power Station and Dayukong Power Station constitute continuing connected transactions of the Group.

As at the Latest Practicable Date, each of Yibin Zhangwo and Shuifu Hongli was held as to approximately 66.67% by Jinding Group, which was in turn held as to approximately 69.39% by Hydropower Group and approximately 30.61% by Energy Investment Group. Both Hydropower Group and Energy Investment Group are the controlling Shareholders of the Company, and hence each of Yibin Zhangwo and Shuifu Hongli is an associate of the controlling shareholders of the Company. Accordingly, each of Yibin Zhangwo and Shuifu Hongli is a connected person of the Company under Rule 14A.07 of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Electricity Purchase Framework Agreements are required to be aggregated as the Electricity Purchase Framework Agreements were entered into by the Company with the same group of connected persons (both Yibin Zhangwo and Shuifu Hongli are both indirectly majority held by Hydropower Group and Energy Investment Group (the controlling Shareholders of the Company)), and the nature of transactions contemplated under the Electricity Purchase Framework Agreements are identical. As the highest applicable percentage ratio in respect of the annual caps for the transactions contemplated under the Electricity Purchase Framework Agreements on an aggregated basis exceeds 5%, the transactions contemplated under the Electricity Purchase Framework Agreements will be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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2023 Rural Power Grid Contracts

(a) EPC Contract for 10kV and Below Project

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other 10kV and Below Project Implementation Units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Consolidated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and certain Other 10kV and Below Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for 10kV and Below Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

(b) Equipment and Materials Procurement Contract

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other 10kV and Below Project Implementation Units are associates of Hydropower Group. Materials Industry Group is a wholly-owned subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Materials Industry Group and certain Other 10kV and Below Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Equipment and Materials Procurement Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

(c) EPC Contract for 35kv and Above Project

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other 35kV and Above Project Implementation Units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Consolidated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy and certain Other 35kV and Above Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for 35kV and Above Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

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(d) EPC Contract for Automation Engineering Project

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other Automation Engineering Project Implementation Units are associates of Hydropower Group. Sun Technology is a direct subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Sichuan Energy Consolidated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sun Technology, Sichuan Energy Consolidated Energy and certain Other Automation Engineering Project Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract for Automation Engineering Project constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

(e) Construction Supervision Contract

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other Construction Supervision Implementation Units are associates of Hydropower Group. Sichuan Yilian is a subsidiary of Energy Investment Group which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Yilian and the Other Construction Supervision Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Construction Supervision Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio in respect of the transactions contemplated under the 2023 Rural Power Grid Contracts on an aggregated basis (i) exceeds 25% but is less than 100%, the transactions contemplated thereunder constitute major transactions of the Company which are subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules; and (ii) exceeds 5% and the total consideration is more than HK\$10,000,000, the transactions contemplated thereunder constitute connected transactions of the Company and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Based on the Company's past experience and estimation, the estimated maximum final settlement price of the EPC Contract for 10kV and Below Project, the Equipment and Materials Procurement Contract, the EPC Contract for 35kV and Above Project, the EPC Contract for Automation Engineering Project and the Construction Supervision Contract is expected to have a fluctuation of no more than 5% from the contract price. If the actual final settlement price of the 2023 Rural Power Grid Contracts exceeds the estimated maximum final settlement price, the Company will make relevant announcement(s) as and when necessary and fulfill the relevant requirements under the Listing Rules (if applicable).

As Mr. He Jing, Mr. Wang Yuanchun and Ms. Xie Peixi are the Directors nominated by Hydropower Group, they have abstained from voting on the Board resolutions to approve the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts voluntarily. Save as disclosed above, none of the Directors have material interest in the Electricity Purchase Framework Agreements and hence no other Director was required to abstain from voting on the relevant resolutions approving the same.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Siu Chi Hung, Mr. Chen Chuan, Mr. Mou Yingshi, Prof. Li Jian and Ms. He Yin, has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, there were no other engagements between the Group and Messis Capital Limited. Apart from normal professional fees for our services to the Company in connection with the aforesaid engagement and this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received/will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, pursuant to Rule 13.84 of the Listing Rules, we are independent from, and are not associated with the Company or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the transactions contemplated under the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (“**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the terms of the Electricity Purchase Framework Agreements and 2023 Rural Power Grid Contracts, we have taken into account the following principal factors and reasons:

I. THE CONTINUING CONNECTED TRANSACTIONS UNDER ELECTRICITY PURCHASE FRAMEWORK AGREEMENTS

1. Background information of the Group

The Group

The Company is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales.

(a) *Financial information of the Group for the year ended 31 December 2022 and 2023, respectively*

The tables below summarise the financial results of the Group for the year ended 31 December 2022 and 2023 respectively as extracted from the annual report of the Company for the year ended 31 December 2023 and the interim results of the Company for the six months ended 30 June 2023 and 2024 respectively as extracted from the interim results announcement of the Company dated 28 August 2024.

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Table 1: Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2022 and 2023

	For the year ended 31 December	
	2023	2022
	(audited)	(audited)
	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	4,160.2	3,313.3
(a) principal business	4,151.8	3,309.6
(i) General Power Supply Business	3,323.0	2,524.3
(ii) Incremental power transmission and distribution business	358.8	384.4
(iii) EECS business	470.0	400.9
(b) other businesses	8.4	3.6
Gross (loss)/profit	675.9	572.4
Administrative expenses	235.8	203.8
Finance costs	13.3	8.6
Other income	2.5	2.3
Investment income	4.6	13.1
Credit impairment losses	(20.1)	(3.1)
Asset impairment losses	(9.8)	(0.7)
Gains on asset disposal	15.5	0.006
Operating profit	403.2	352.5
Profit before income tax	409.2	361.5
Net profit for the year	342.0	302.5
Net profit for the year attributable to the Shareholders	339.0	301.4
Net profit for the year attributable to non-controlling interest	3.0	1.1

The revenue of the Group increased from approximately RMB3,313.3 million to approximately RMB4,160.2 million from the year ended 31 December 2022 to the year ended 31 December 2023, which was primarily due to the increase in principal business by approximately RMB842.2 million, mainly resulting from the increase in revenue generated from general power supply business by approximately 31.6% from approximately RMB2,524.3 million for the year ended 31 December 2022 to approximately RMB3,323.0 million for the year ended 31 December 2023.

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The operating profit of the Group increased by approximately 14.4% from approximately RMB352.5 million for the year ended 31 December 2022 to approximately RMB403.2 million for the year ended 31 December 2023, which was primarily due to (i) the increase in gross profit by approximately 18.1% from approximately RMB572.4 million for the year ended 31 December 2022 to approximately RMB675.9 million for the year ended 31 December 2023; and (ii) increase in gains on asset disposal by RMB15.5 million during such period; which was partially offset by (a) the increase in finance costs by approximately RMB4.7 million from approximately RMB8.6 million to approximately RMB13.3 million; (b) the decrease in investment income by approximately RMB8.5 million from approximately RMB13.1 million to approximately RMB4.6 million during such period; (c) increase in credit impairment losses by approximately RMB17.0 million from approximately RMB3.1 million to approximately RMB20.1 million; and (d) increase in asset impairment losses by approximately RMB9.1 million from approximately RMB0.7 million to approximately RMB9.8 million during such period.

The net profit of the Company increased by approximately 13.1% from approximately RMB302.5 million for the year ended 31 December 2022 to approximately RMB342.0 million for the year ended 31 December 2023.

Table 2: Financial position of the Group as at 31 December 2022 and 2023

	As at 31 December	
	2023 (audited) <i>RMB' million</i>	2022 (audited) <i>RMB' million</i>
Current assets	1,563.0	1,372.8
Non-current assets	4,761.8	3,775.2
Total assets	6,324.8	5,148.0
Current liabilities	1,907.0	1,511.6
Non-current liabilities	1,014.0	451.2
Total liabilities	2,921.0	1,962.8
Total equity	3,403.8	3,185.2
Total equity attributable to Shareholders	3,355.3	3,147.4

The Group's assets increased from approximately RMB5,148 million as at 31 December 2022 to approximately RMB6,324.8 million as at 31 December 2023, representing an increase of 22.9%, which was mainly due to (i) the increase in current assets by approximately 13.9% from approximately RMB1,372.8 million as at 31 December 2022 to approximately RMB1,563 million as at 31 December 2023; and (ii) the increase in non-current assets by 26.1% from approximately RMB3,775.2 million as at 31 December 2022 to RMB4,761.8 million as at 31 December 2023, mainly resulting from the (a) increase in long-term equity investments from approximately RMB243.0 million as at 31 December 2022 to approximately RMB369.3 million as at 31 December 2023; and (b) the increase in deferred income tax assets by approximately RMB17.7 million from approximately RMB37.6 million as at 31 December 2022 to approximately RMB55.3 million as at 31 December 2023.

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The Group's liabilities increased by approximately 48.8% from approximately RMB1,962.8 million as at 31 December 2022 to approximately RMB2,921.0 million as at 31 December 2023, which was primarily due to (i) the increase in current liabilities by approximately 26.2% from approximately RMB1,511.6 million as at 31 December 2022 to approximately RMB1,907.0 million as at 31 December 2023; and (ii) the increase in total non-current liabilities by approximately 1.25 times from approximately RMB451.2 million as at 31 December 2022 to approximately RMB1,014.0 million as at 31 December 2023, mainly resulting from (i) the increase in long-term borrowings from nil as at 31 December 2022 to RMB323.5 million as at 31 December 2023; and (ii) the increase in long-term payables from approximately RMB294.0 million as at 31 December 2022 to RMB546.0 million as at 31 December 2023.

The Group's equity increased from approximately RMB3,147.4 million as of 31 December 2022 to approximately RMB3,355.3 million as of 31 December 2023, which is in line with the increase in total assets and total liabilities respectively.

Table 3: Consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 June 2023 and 2024

	For the six months ended 30 June	
	2024	2023
	(unaudited) <i>RMB' million</i>	(unaudited) <i>RMB' million</i>
Revenue	2,264.6	1,833.4
Revenue from principal business	2,263.6	1,833.4
(i) General Power Supply Business	1,929.8	1,509.6
(ii) Incremental power transmission and distribution business	152.6	163.9
(iii) EECS business	182.2	159.9
Gross (loss)/profit	298.5	240.7
Administrative expenses	109.4	94.9
Finance costs	6.6	2.4
Other income	4.6	4.2
Credit impairment losses	(2.2)	8.8
Asset impairment losses	1.5	0.2
Operating profit	170.5	144.9
Profit before income tax	170.9	157.3
Net profit for the year	137.8	129.1

The Group recorded a revenue of approximately RMB2,264.6 million for the six months ended 30 June 2024, representing an increase of approximately 23.5% from approximately RMB1,833.4 million for the six months ended 30 June 2023, primarily due to an increase in the scale of general power supply business and EECS business.

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The operating profit of the Group increased from approximately RMB144.9 million for the six months ended 30 June 2023 to approximately RMB170.5 million for the six months ended 30 June 2024, which was mainly due to the increase in the gross profit of approximately RMB57.8 million during the same period, and partially offset by the increase in administrative expenses from approximately RMB94.9 million for the six months ended 30 June 2023 to approximately RMB109.4 million for the six months ended 30 June 2024.

The net profit for the year of the Group increased from approximately RMB129.1 million to approximately 137.8 million from the six months ended 30 June 2023 to the six months ended 30 June 2024.

Table 4: Financial position of the Group as at 30 June 2023 and 2024

	As at 30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>RMB' million</i>	<i>RMB' million</i>
Current assets	1,725.6	1,563.0
Non-current assets	4,793.2	4,761.8
Total assets	6,518.7	6,324.8
Current liabilities	1,999.5	1,907.0
Non-current liabilities	1,116.3	1,014.0
Total liabilities	3,115.7	2,921.0
Total equity	3,403.0	3,403.8
Total equity attributable to Shareholders	3,354.5	3,355.3

The Group's total assets increased from approximately RMB6,324.8 million as of 30 June 2023 to approximately RMB6,518.7 million as of 30 June 2024, representing an increase of approximately 3.1%, mainly resulting from the increase in current assets from approximately RMB1,563.0 million as of 30 June 2023 to approximately RMB1,725.6 million as of 30 June 2024.

The Group's total liabilities increased from approximately RMB2,921.0 million as of 30 June 2023 to approximately RMB3,115.7 million as of 30 June 2024, representing an increase of approximately 6.7%, which was primarily due to (i) the increase in the current liabilities from approximately RMB1,907.0 million as of 30 June 2023 to approximately RMB1,999.5 million as of 30 June 2024; and (ii) the increase in the non-current liabilities from approximately RMB1,014.0 million as of 30 June 2023 to approximately RMB1,116.3 million as of 30 June 2024.

The Group's total equity remained stable from approximately RMB3,403.8 million as of 30 June 2023 to approximately RMB3,403.0 million as of 30 June 2024.

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2. Information of Yibin Zhangwo and Shuifu Hongli

Yibin Zhangwo is a limited liability company established in the PRC which was held as to approximately 66.67% by Jinding Group and 33.33% by Shenzhen Aizhong Capital Management Co., Ltd* (深圳愛眾資本管理有限公司) as at the Latest Practicable Date. As at the Latest Practicable Date, Jinding Group was held as to approximately 69.39% by Hydropower Group and approximately 30.61% by Energy Investment Group, whereas Shenzhen Aizhong Capital Management Co., Ltd. was the wholly-owned subsidiary of Sichuan Guangan AAA Public Co., Ltd.* (四川廣安愛眾股份有限公司) (a joint stock company established in the PRC and the shares of which were listed on the Shanghai Stock Exchange (Stock Code: 600979)). Yinbin Zhangwo primarily engaged in hydropower generation.

Shuifu Hongli is a limited liability company established in the PRC which was held as to approximately 66.67% by Jinding Group and 33.33% by Shenzhen Aizhong Capital Management Co., Ltd. as at the Latest Practicable Date. For the background of Jinding Group and Shenzhen Aizhong Capital Management Co., Ltd., please refer to the above.

Hydropower Group was owned as to approximately 77.75% by Energy Investment Group, and owned indirectly as to 9.16% by China Construction Bank Corporation* (中國建設銀行股份有限公司) (a bank with state-owned background in the PRC dually listed on the Stock Exchange (stock code: 00939) and the Shanghai Stock Exchange (stock code: 601939)), approximately 6.55% by Agricultural Bank of China Limited* (中國農業銀行股份有限公司) (a bank with state-owned background in the PRC dually listed on the Stock Exchange (stock code: 01288) and the Shanghai Stock Exchange (stock code: 601288)), and approximately 6.55% by Bank of China Limited* (中國銀行股份有限公司) (a bank with state-owned background in the PRC dually listed on the Stock Exchange (stock code: 03988) and the Shanghai Stock Exchange (stock code: 601988)) as at the Latest Practicable Date. As at the Latest Practicable Date, Energy Investment Group was wholly-owned by Sichuan Development Co., which was in turn owned as to 90% by the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government* (四川省政府國有資產監督管理委員會) and as to 10% by the Sichuan Provincial Department of Finance* (四川省財政廳), respectively.

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3. Electricity Purchase Framework Agreements

Save for (i) the parties to the Electricity Purchase Agreements, (ii) the unit price of electricity to be paid by the Group under each of the Electricity Purchase Framework Agreements, (iii) the maximum volume of electricity to be purchased under each of the Electricity Purchase Framework Agreements, and (iv) the annual caps for the transactions contemplated under each of the Electricity Purchase Framework Agreements, the principal terms of the Electricity Purchase Framework Agreements are substantially the same and are summarised as follows:

Date:	16 May 2024 (after trading hours)
Parties:	<i>Yibin Zhangwo Electricity Purchase Framework Agreement</i> (1) the Company (as purchaser) (2) Yibin Zhangwo (as supplier) <i>Shuifu Hongli Electricity Purchase Framework Agreement</i> (1) the Company (as purchaser) (2) Shuifu Hongli (as supplier)
Subject matter:	Pursuant to the Electricity Purchase Framework Agreements, Yibin Zangwo/Shuifu Hongli shall supply electricity to the Company and its subsidiaries
Term:	From the effective date of the agreement to 31 December 2026
Conditions precedent:	The Electricity Purchase Framework Agreement shall become effective subject to the satisfaction of the following conditions precedent: (i) the legal representatives or authorized representatives of both parties having affixed their signatures and official seals; and (ii) the Electricity Purchase Framework Agreement and the transactions contemplated thereunder being approved in a general meeting duly convened by the Company in accordance with the Listing Rules.
Subsidiary agreement:	Pursuant to the terms of the relevant Electricity Purchase Framework Agreement, the parties to the agreement shall further agree on, to the extent applicable, the unit price of electricity, the policy of measurement of volume of electricity supplied, and terms of settlement by entering into separate specific subsidiary agreements within the ambit of the relevant Electricity Purchase Framework Agreement.

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Pricing policy: The unit price of electricity payable under the respective Electricity Purchase Framework Agreements shall be as follows:

	Unit price of electricity (tax exclusive)	Unit price of electricity (tax inclusive) <i>(Note)</i>
Yibin Zhangwo Electricity Purchase Framework Agreement	RMB0.2549 per kWh	RMB0.288 per kWh
Shuifu Hongli Electricity Purchase Framework Agreement	RMB0.31068 per kWh	RMB0.32 per kWh

Note: The unit price of electricity (tax inclusive) is calculated based on the rate of value added tax according to the PRC government policy.

The respective unit price of electricity payable under each of the Electricity Purchase Framework Agreements is subject to the adjustment under Notice of the Sichuan Development and Reform Commission on Adjusting the Relevant Issues Concerning Electricity Price Policy for the Water-sufficient and Water-deficit Seasons and Peak and Off-peak Hours of the Power Grid in Sichuan Province*《四川省發展改革委關於調整四川電網豐枯峰穀電價政策有關事項的通知》. The total electricity fee payable under the respective Electricity Purchase Framework Agreements shall be the relevant unit price of electricity multiplied by the actual volume of on-grid electricity supplied to the Group.

The respective unit price of electricity payable under the Electricity Purchase Framework Agreements set out above was determined after arm's length negotiation between the Company and Yibin Zhangwo or Shuifu Hongli (where applicable), with reference to (i) the historical unit price paid by the Group for the electricity purchased from the Zhangwo Power Station and Dayukong Power Station; (ii) the unit price of electricity charged by other Independent Third Parties; and (iii) the respective average unit price of electricity in 2023 charged by (a) State Grid Corporation of China (國家電網有限公司), being approximately RMB0.3606 per kWh (tax exclusive), and (b) China Southern Power Grid Company Limited (中國南方電網有限責任公司), being approximately RMB0.3875 per kWh (tax exclusive).

Payment Term: The electricity fee payable by the Group under the Electricity Purchase Framework Agreements shall be settled on a monthly basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Reasons and benefits for entering into the Electricity Purchase Framework Agreements

As stated in the “Letter from the Board”, the Group has formed a long-term relationship in purchasing electricity from the Zhangwo Power Station and Dayukong Power Station since October 2017 and February 2013, respectively, and there is cogent evidence that over the years both stations had been providing stable electricity supply to the Group. Moreover, the unit prices of electricity charged by Yibin Zhangwo and Shuifu Hongli were lower than the average unit price of electricity in 2023 charged by State Grid Corporation of China (國家電網有限公司) (“**State Grid**”) and China Southern Power Grid Company Limited (中國南方電網有限責任公司) (“**China Southern**”).

We have reviewed the average unit price of electricity in 2023 offered by Sate Grid and China Southern, and noted that both the unit price of electricity of RMB0.2549 per kWh (tax exclusive) and the unit price of electricity of RMB0.31068 per kWh (tax exclusive) offered by Yibin Zhangwo and Shuifu Hongli respectively for the Electricity Purchase Framework Agreements are lower than that charged by either State Grid or China Southern for the same regions during the year 2023.

We understood that the Company is of the view that unit prices of the electricity as offered by State Grid or China Southern was not expected to have material fluctuation to a much lower price level in the next three years, given that the average unit prices as offered by State Grid and China Southern for the past two years remained stable and the Company is not aware of any changing circumstances as of the Latest Practicable Date which may bring material changes to the unit prices as offered by State Grid and China Southern, so it would be beneficial to continue to purchase electricity from the Zhangwo Power Station and Dayukong Power Station through Yibin Zhangwo and Shuifu Hongli by entering into the Electricity Purchase Framework Agreements, as it would enable to the Group to continue to enjoy a favourable and competitive electricity price which will be conducive in controlling the operating costs of the Group, as well as consolidating and enhancing the Group’s power supply capability in the relevant regions, particularly during the peak demand period of electricity.

We are of the view that though the latest available unit prices as charged by State Grid and China Southern for the same region during the year 2023 is less favourable to the Group than those as offered by Yibin Zhangwo and Shuifu Hongli under the Electricity Purchase Framework Agreements, it is unforeseeable whether the unit prices as stipulated under the Electricity Purchase Framework Agreements will keep being lower than the unit prices as offered by either State Grid or China Southern at the time when the Company is going to purchase electricity from other parties during the three years ending 31 December 2026.

As confirmed by the Company, the Company is well noted that to act on the interests of the Company and the Shareholders as a whole, whenever the Company is going to purchase electricity under the Electricity Purchase Framework Agreement, it should seek the quotation from no less than two other independent third parties to compare the unit prices as offered by them and those as stipulated under the Electricity Purchase Framework Agreement. Once any of the unit prices as offered by the independent third parties is lower than the unit prices as stipulated under the Electricity Purchase Framework Agreements, the Company shall weigh different factors to assess the interests of the Company and the Shareholders as a whole before making the decision to purchase from which party.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the electricity purchase under the Electricity Purchase Framework Agreements is conducted in the ordinary and usual course of business of the Group; (ii) the business nature of the Group required significant amount of electricity; (iii) as informed by the Company, the supply of electricity from Yibin Zhangwo and Shuifu Hongli were stable even during the peak demand period since October 2017 and February 2013, respectively; and (iv) the unit price as offered by Yibin Zhangwo and Shuifu Hongli are not less favourable to the Group than that charged by either State Grid and China Southern for the similar region for year 2023, which is projected not to have material fluctuation to a much lower price level in the next three years for the reasons abovementioned, we are of the view and concur with Management's view that entering into Electricity Purchase Framework Agreements is in the interests of the Group and Shareholders as a whole.

(b) Our view on the terms of the Electricity Purchase Framework Agreement

We have reviewed the executed version of the Electricity Purchase Framework Agreements and noted that both the pricing policy as well as the maximum volume to be purchased from Yibin Zhnagwo and Shuifu Hongli are stipulated under the Electricity Purchase Framework Agreement. It was observed that the unit prices will be subject to the adjustment under Notice of the Sichuan Development and Reform Commission on Adjusting the Relevant Issues Concerning Electricity Price Policy for the Water-sufficient and Water-deficit Seasons and Peak and Off-peak Hours of the Power Grid in Sichuan Province* (《四川省發展改革委關於調整四川電網豐枯峰穀電價政策有關事項的通知》), which we considered it is fair and reasonable to take the adjustment pursuant to the change of relevant government policy.

In addition, the term of the Electricity Purchase Framework Agreements were both over two years and not over than three years, which could not only help the Company to save time in frequent contract negotiation but also enjoy the relevant stable electricity supply at the competent unit price level as offered by Yibin Zhnagwo and Shuifu Hongli respectively in a relative long-term period. Moreover, such duration enables the Company to retain flexibility for further negotiating the clauses of future electricity purchase agreements if in need upon the expiry of the Electricity Purchase Framework Agreements.

We also observed that the clauses of liability of breaching contract were provided in the Electricity Purchase Framework Agreements, which were on normal commercial terms.

Having considered what has been analysed regarding the terms of the Electricity Purchase Framework Agreements, we are of the view that the entering into the relevant framework agreements were on normal commercial terms, and are in the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) *Electricity Purchase Annual Caps*

The following table sets out the proposed Electricity Purchase Annual Caps:

Table 5: Proposed Electricity Purchase Annual Caps

	For the year ending 31 December		
	2024 (RMB'000)	2025 (RMB'000)	2026 (RMB'000)
Yibin Zhangwo Electricity Purchase Framework Agreement	93,310	100,220	96,770
Shuifu Hongli Electricity Purchase Framework Agreement	<u>35,520</u>	<u>37,440</u>	<u>36,480</u>
Total	<u><u>128,830</u></u>	<u><u>137,660</u></u>	<u><u>133,250</u></u>

We have reviewed the calculation workings of the proposed annual caps of the Electricity Purchase Framework Agreements and observed that such proposed annual caps were calculated based on the relevant unit prices offered by the respectively power stations multiplied by the maximum volume of electricity to be purchased by the Group for the three years ending 31 December 2026 as stipulated under the Electricity Purchase Framework Agreements.

Fairness and reasonableness of the annual caps

Maximum volume of electricity to be purchased

We have discussed with the Management and noted that the estimated maximum volume of electricity to be purchased by the Group under the Electricity Purchase Framework Agreements for the three years ending 31 December 2026 was determined with reference to the historical volume of electricity purchased by the Group from each of the Zhangwo Power Station and the Dayukong Power Station in the past five years, together with the designed annual utilisation hours of Zhangwo Power Station and Dayukong Power Station, respectively.

With reference to the “Letter from the Board”, set out below are the historical purchased volume of electricity purchased by the Group during the three years ended 31 December 2023 under the historical electricity purchase agreements regarding the electricity purchase from Zhangwo Power Station and Dayukong Power Station respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 6: Historical figures of electricity purchased from Zhangwo Power Station and Dayukong Power Station in comparison with the maximum volume of electricity to be purchased by the Group

	For the year ended 31 December			For the four months ended	For the year ending 31 December		
	2021	2022	2023	30 April 2024	2024	2025	2026
	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)
Zhangwo Power Station	258,412.4	340,977.7	254,694.0	50,831.9	324,000	348,000	336,000
Dayukong Power Station	105,634.7	104,720.9	93,383.4	20,012.5	111,000	117,000	114,000
Total	<u>364,047.10</u>	<u>445,698.60</u>	<u>348,077.4</u>	<u>70,844.4</u>	<u>435,000</u>	<u>465,000</u>	<u>450,000</u>

We have requested the relevant consumption of electricity record from the Company regarding the purchase volume of the electricity for the past five years from 1 January 2019 to 31 December 2023, which listed the relevant purchased volume of electricity from Zhangwo Power Station and Dayukong Power Station respectively by the Company for each year and noted that there was no material difference between the historical transaction volume for the three years ended 31 December 2023 and the proposed maximum purchased volume for the three years ending 31 December 2026, which demonstrated the reasonableness of the proposed maximum purchased volume of electricity for calculating the annual caps.

We have reviewed the projected volume of electricity to be purchased by the Group from Zhangwo Power Station and the Dayukong Power Station respectively for three years ending 31 December 2026 and we were informed by the Company that their operation department projected the volume of electricity to be purchased by month taking into account the seasonality since the volume of electricity to be purchased will differ among high-water period, normal-water period and low-water period.

It is observed that the volume of electricity purchased by the Group from Zhangwo Power Station arrived the maximum volume in 2022 during the three years ended 31 December 2023; while the volume of electricity purchased by the Group from Dayukong Power Station were on a declining trend. We have reviewed the maximum estimated hours projected by the Company and understood that for the projected volume of each power station, the Company has considered (i) the higher value of its highest annual utilisation hours in the past five years and its designed annual utilisation hours; and (ii) the rated output capacity of electricity generation of such corresponding power station before arriving the estimated volume of electricity.

Specifically, if the highest annual utilisation hours in the past five years is higher than the designed annual utilisation hours, the Company will use such highest annual utilisation hours in the past five years to multiply by the rated output capacity of electricity generation to arrive the maximum volume to be purchased. If, the highest annual utilisation hours is lower than the designed annual utilisation hours, the Company will use the average amount of the highest annual utilisation hours in the past five years and the designed annual utilisation hours and then multiply by the rated output capacity of electricity generation of the corresponding power station.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We considered for the Zhangwo Power Station, it is fair and reasonable to adopt the highest annual utilisation hours in the past five years as the estimated maximum volume of electricity for the three years ending 31 December 2026 since (i) the highest volume purchased by the Group in the past five years has outweighed the designed annual utilisation hours of Zhangwo Power Station; and (ii) the Company is not aware of any material changes which may change the certainty and consistency of the volume of electricity that the Group expects to purchase from the Zhangwo Power Station for the three years ending 31 December 2026.

It is observed that for the Dayukong Power Station, the Company has adopted the average of highest annual utilisation hours in the past five years and the designed annual utilisation hours (i.e. approximately 3,900 hours) to multiple by the rated output capacity of electricity generation to arrive the estimated maximum volume of electricity to be purchased by the Group. Such average amount was 321 hours higher than the highest annual utilisation hours in the past five years of the Dayukong Power Station as purchased by the Group. We considered that such difference of 321 hours provides flexibility to the Group in the event that it has the demand to purchase more electricity when its own generated electricity is not sufficient, taking into account of the uncertain duration of high-water periods which heavily relies on the climate.

We considered such basis to arrive the maximum volume of electricity to be purchased for each of the three years ending 31 December 2026 is fair and reasonable.

Unit prices of electricity as determined

We understood from the “Letter from the Board” that the unit prices of electricity payable by the Group under the Electricity Purchase Framework Agreements, which were determined after arm’s length negotiation between the Group and each of Yibin Zhangwo and Shuifu Hongli with reference to (i) the historical unit price paid by the Group for the electricity supplied by the Zhangwo Power Station and the Dayukong Power Station; (ii) the unit price of electricity charged by other Independent Third Parties; and (iii) the respective average unit price of electricity in 2023 charged by (a) State Grid and (b) China Southern.

We have obtained and reviewed the materials from the Company regarding the (i) historical unit price paid by the Group for the electricity supplied by the Zhangwo Power Station and the Dayukong Power Station during the past five years; (ii) the unit price of electricity charged by three other Independent Third Parties during the period for year 2023 ranged from RMB0.28 per kWh (tax inclusive) to RMB0.31 per kWh (tax inclusive); and (iii) the respective average unit price of electricity in 2023 offered by State Grid and China Southern. We observed that (i) the unit price offered by Zhangwo Power Station of RMB0.288 per kWh (tax inclusive) falls within the range of those unit prices offered to the Company by Independent Third Parties, which is fair and reasonable; and (ii) the unit price of electricity offered by Dayukong Power Station of RMB0.32 per kWh (tax inclusive) is slightly higher (i.e. RMB0.01 per kWh) than the highest value in the range of the unit prices as charged by the Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into the reasons abovementioned, we considered the unit prices as offered by Zhangwo Power Station is fair and reasonable. Though the unit price offered by Dayukong Power Station is slightly higher than the highest value in the range of the unit prices offered by three Independent Third Parties (i.e. difference of RMB0.01 kWh), we considered the reasons and benefits for entering into the Electricity Purchase Agreements as discussed under the sub-paragraph (a) headed “Reasons and benefits for entering into the Electricity Purchase Framework Agreement” above outweigh such trivial difference.

The buffer as considered

We have discussed with the Management and was informed that the unit price of electricity will be lowered approximately 24% during the high-water period and be increased approximately 24.5% during the low-water period. Taking into account that the volume to be consumed by the Company during the high-water period would be higher than that of the low-water period, the averaged unit prices to be charged by the power stations should be lower than the unit prices as offered during the normal-water period, which are the unit price level as stipulated under the Electricity Purchase Framework Agreements. We considered it is reasonable to consider a buffer for the propose annual caps to cater for the operating need from time to time in determining the proposed annual caps of the fees payable to the Group under the Electricity Purchase Framework Agreement so that the Company could retain the flexibility in the event that it demanded a slightly higher volume that expected.

In light of above, we have assessed the reasonableness of the annual caps from each factor the Company has considered, including but not limited to (i) the maximum volume of electricity to be purchased; (ii) unit prices of electricity as determined; and (iii) the buffer as considered, and are of the view the annual caps which was proposed by the Company for the three years ending 31 December 2026 are fair and reasonable.

4. Internal Control Measures

As stated in the “Letter from the Board”, the Company has implemented enhanced internal control measures to prevent late discovery of connected relationships in the future transactions, in particular, update the list of connected persons and conduct shareholding search on the business partners on a quarterly basis instead of annual basis. We considered such improvement on the internal control measures demonstrated the Company’s high level of intention on the compliance with the Listing Rules and its timely rectification upon reviewing its existing internal control policy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Also, in order to ensure that the terms under the Electricity Purchase Framework Agreements for the continuing connected transactions contemplated thereunder are fair and reasonable and the connected transactions are carried out under normal commercial terms, the Company have adopted the following internal control procedures:

- (i) the operation management department of the Company will monitor the transactions under the Electricity Purchase Framework Agreements on a regular basis, and assess whether the annual caps are expected to be exceeded based on the volume of electricity already purchased and the amount of electricity fee already incurred by the Group. Where necessary, before the annual caps are exceeded, the operation management department of the Company will elevate such issue to the Board with proposed revised annual caps and such other relevant information so that the Board will be in a position to consider and, where applicable, comply with applicable Listing Rules in connection with such revised annual caps;
- (ii) prior to entering into of any specific subsidiary agreements, the personnel of relevant departments (including but not limited to the audit department, financial assets department and operation management department) of the Company as well as the legal counsels engaged by the Company from time to time will review and assess the specific terms and conditions of the transactions to ensure their consistency with the Electricity Purchase Framework Agreements. The operation management department will also compare the unit price of electricity offered under such specific subsidiary agreements with those offered by Independent Third Parties (including State Grid Corporation of China (國家電網有限公司) and China Southern Power Grid Company Limited (中國南方電網有限責任公司)) and ensure that the unit price of electricity offered under the specific subsidiary agreements are no less favorable than those to be offered by the Independent Third Parties; and
- (iii) Independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Electricity Purchase Framework Agreements (including the unit rates of electricity charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreements and the Group's pricing policy measures, and to confirm if the price and terms offered are fair and reasonable and comparable to those offered by independent third parties.

We considered that there are adequate and enforceable internal control measures to ensure the continuing connected transactions contemplated under the Electricity Purchase Framework Agreement in compliance with applicable rules and laws, given the Company has leveraged on both the internal resources and external resources to safeguard the continuing connected transactions are in compliance with the applicable rules by (i) designating different departments of the Group which are involved in the continuing connected transactions as well as the Directors to monitor the status of the relevant continuing connected transaction; and (ii) arranging and engaging the independent non-executive Directors and the auditors of the Company to review the relevant transactions and ensure they are in compliance with the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. 2023 RURAL POWER GRID CONTRACTS

1. Information of Parties Involved

Xuzhou Electricity

Xuzhou Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company engaged in the development, production and sale of electricity.

Gao County Electricity

Gao County Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company engaged in power generation and supply and trading of electrical equipment.

Gong County Electricity

Gong County Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company and engaged in power generation and supply.

Junlian Electricity

Junlian Electricity a limited liability company established in the PRC and a wholly-owned subsidiary of the Company and engaged in power supply service and the purchase and sale of power supply equipment.

Pingshan Electricity

Pingshan Electricity is a limited liability company established in the PRC and a wholly owned subsidiary of the Company engaged in power generation and supply in Pingshan County, Yibin City, Sichuan Province.

Xingwen Electricity

Xingwen Electricity is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company and engaged in power supply and production and sale of electrical equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sichuan Energy Investment Development Construction

Sichuan Energy Investment Development Construction Co., Ltd.* (四川能投發展建設有限公司) (formerly known as Sichuan Energy Yibin Electricity Engineering Co. Ltd.* (四川能投宜賓電力工程建設有限公司)) is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company which engaged in inspection and maintenance of transformer substations, hydropower stations and electricity transmission lines.

Sichuan Energy Construction

Sichuan Energy Construction is a limited liability company established in the PRC and is held as to approximately 93.52% by Energy Investment Group, 3.80% by Hydropower Group and 2.68% by Sichuan Chemical Works Group Ltd.* (川化集團有限責任公司). Sichuan Energy Construction is engaged in project planning, project investment, design and consulting, construction, operation in engineering construction.

Sichuan Energy Consolidated Energy

Sichuan Energy Consolidated Energy is a limited liability company established in the PRC, a wholly-owned subsidiary of Hydropower Group. Sichuan Energy Consolidated Energy is principally engaged in power transmission and supply, installation, maintenance and testing of power receiving facilities, engineering survey, design and construction and engineering project costs consultation services.

Materials Industry Group

Material Industry Group is a limited liability company established in the PRC on 16 April 2013 and a wholly-owned subsidiary of Energy Investment Group and engaged in sale of metal materials and products, sale of construction materials, sale of cement products, sale of coal and related products, and sale of electrical equipment.

Sun Technology

Sun Technology is a limited liability company established in the PRC and is owned as to approximately 67% by Hydropower Group, approximately 25% by Sichuan LenSyn Technology Co., Ltd.* (四川能信科技股份有限公司) and approximately 8% by Mr. Li Guangying (李光映). It is primarily engaged in the development and sale of computer software and hardware. Sichuan LenSyn Technology Co., Ltd. is a company with issued shares quoted on the National Equities Exchange and Quotations (stock code: 837522).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Sichuan Yilian

Sichuan Yilian is a limited liability company established in the PRC and is indirectly owned as to approximately 33.52% by Energy Investment Group, directly owned as to approximately 66.48% by four individual investors namely Chen Wei (謹 維), Yan Jingsong (閻 勁 松), Li Zhixiang (李 志 翔) and Chen Zhiqi (陳 志 祺), all of whom are independent third parties.

Other 10kV and Below Project Implementation Units

For the details of Other 10kV and Below Project Implementation Units, please refer to the disclosure under the “Letter from the Board”

Other Automation Engineering Project Implementation Units

For the details of Other Automation Engineering Project Implementation Units, please refer to the disclosure under the “Letter from the Board”

Other Construction Supervision Implementation Units

For the details of Other Construction Supervision Implementation Units, please refer to the disclosure under the “Letter from the Board”

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. 2023 Rural Power Grid Contracts

The material terms of the 2023 Rural Power Grid Contracts are set out below respectively:

(i) EPC Contract for 10kV and Below Project

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sichuan Energy Construction (as contractor);
- (3) Sichuan Energy Consolidated Energy (as contractor);
- (4) Sichuan Energy Investment Development Construction (as contractor);
- (5) 10kV and Below Project Implementation Units; and
- (6) Other 10kV and Below Project Implementation Units

Project: The 10kV and Below Project, comprising, among others, the construction and modification of 10kV circuit line, distribution transformers, low voltage lines and meters.

The EPC Contract for 10kV and Below Project covers two major projects, being the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project and the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project.

The Group will only take part in part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project.

Scope of service: Survey and design, construction installation and engineering implementation, equipment testing, equipment installation and commissioning and trial operation, procurement of certain auxiliary materials (including installation)

Construction period: 275 calendar days

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent:

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved contractors;
3. the rural power grid investment contract among Hydropower Group, the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for 10kV and Below Project);
4. the self-financed funds (if any) of the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Defect liability period: 24 months commencing from the issuance of project delivery certificate

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total estimated contract price payable under the EPC Contract for 10kV and Below Project: RMB967,673,620 ^{Note} (tax inclusive) which comprises (i) the survey and design fee of RMB60,234,917 (tax inclusive); (ii) the construction fee of RMB903,927,449 (tax inclusive); and (iii) the auxiliary material fee of RMB3,511,254 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group.

Out of the total estimated contract price of RMB967,673,620 ^{Note} (tax inclusive), it is envisaged that (i) the 10kV and Below Project Implementation Units shall share and be responsible for the payment of RMB207,875,798 (tax inclusive); and (ii) Sichuan Energy Investment Development Construction as one of the contractors, will receive RMB98,624,009.00 (tax inclusive) for the services to be rendered.

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Note: The total contract sum of RMB967,673,620 (tax inclusive) represent the aggregate of the contract sum of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project (i.e. RMB876,090,408.00 (tax inclusive)) and the contract sum of the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project (i.e. RMB91,583,212.00 (tax inclusive)) under the EPC Contract for 10kV and Below Project.

The Group will only take part in part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project in the EPC Contract for 10kV and Below Project.

Pricing: The estimated contract price was the successful tender price offered by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) (the “**Management Measures**”) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of geotechnical engineering and electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant.

When selecting the successful bidder, the bid evaluation committee had considered a basket of factors including, among others, (i) from the business aspects, the bidders’ background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged.

The tender price offered was determined by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in accordance with the relevant laws and regulations and documents issued by the governmental authorities, including but not limited to Budget Quota for Power Construction Engineering (《電力建設工程概預算定額》) with reference to on-site inspection and information collected.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment terms: The contract price shall be paid in the following manner:

(i) Advance payments

The advance payment shall be 15% of the total estimated contract price and payable within 14 days upon approval by the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units of the application for advance payments.

The advance payment shall be credited into the progress payments (as detailed below) once the aggregate progress payments reached 30% of the total contract sum. At which point, 30% of the advance payments shall be credited into each subsequent progress payment until the aggregate amount of progress payments reached 85% of the total estimated contract sum (inclusive of the advance payments credited) and the entire advance payments are credited.

(ii) Progress payments

Survey and design fee

Up to 80% of the total survey and design fee (inclusive of advance payments) after confirmation of construction drawing design.

Up to 85% of the total survey and design fee after completion and acceptance of the project.

Up to 97% of the total survey and design after settlement and audit.

The remaining 3% of the total survey and design fee shall be retained as quality warranty and shall be paid after the expiry of defect liability period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Construction fee

Up to 80% of the total construction fee based on 80% of the actual amount of the construction work completed each month.

Up to 85% of the total construction fee after completion and acceptance of the project.

Up to 97% of the total construction fee after settlement and audit.

The remaining 3% of the total construction fee shall be retained as quality warranty and shall be paid after the expiry of defect liability period.

Equipment and materials fee

Up to 85% of the total equipment and materials fee based on the actual amount of equipment and materials supplied.

Up to 95% of the total equipment and materials fee based on the actual amount of equipment and materials supplied after completion and acceptance.

Up to 97% of the total equipment and materials fee based on the actual amount of equipment and materials supplied after settlement and audit.

The remaining 3% of the total equipment and materials fee shall be retained as quality warranty.

(iii) Quality warranty

3% of the total estimated contract price shall be retained as quality warranty, which shall be paid (without interest) upon verification of completion of defect liability after the expiry of defect liability period.

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Advance payment guarantee: The contractors shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the EPC Contract for 10kV and Below Project.

The advance payment guarantee shall be released once the advance payment is fully utilised.

Performance guarantee: The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee.

The performance guarantee shall be returned to the contractors 3 months after the satisfactory completion inspection of the 10kV and Below Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractors.

(ii) Equipment and Materials Procurement Contract

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Materials Industry Group (as contractor);
- (3) 10kV and Below Project Implementation Units; and
- (4) Other 10kV and Below Project Implementation Units

Project: The 10kV and Below Project

The Equipment and Materials Procurement Contract covers two major projects, being the equipment and materials procurement for the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project and the equipment and materials procurement for the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project.

The Group will only take part in the equipment and materials procurement for part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project.

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- Scope of service: The procurement of equipment and material for the 10kV and Below Project
- Contract duration: The contractor shall supply the relevant equipment and materials in accordance with the progress of the project, starting from the actual date requested by the principal or the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units
- Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent:
1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
 2. Hydropower Group having received the performance guarantee from the approved contractors;
 3. the rural power grid investment contract among Hydropower Group, the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for 10kV and Below Project);
 4. the self-financed funds (if any) of the 10kV and Below Project Implementation Units and Other 10kV and Below Project Implementation Units being available;
 5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
 6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been

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Quality warranty period: 12 months (commencing from the commissioning of the project) or 18 months (commencing from the delivery of products), whichever is the later, unless otherwise specified under national and/or industrial standard and regulations which has a longer warranty period than the aforesaid.

Total estimated contract price payable under the Equipment and Materials Procurement Contract: RMB972,316,337.92 ^{Note} (tax inclusive) **(out of which the 10kV and Below Project Implementation Unit shall share and be responsible for the payment of RMB208,728,821.67 (tax inclusive))**, subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group.

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Note: The total contract sum of RMB972,316,337.92 (tax inclusive) represent the aggregate of the contract sum of the equipment and materials procurement for the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project (i.e. RMB882,682,245.37 (tax inclusive)) and the contract sum of the equipment and materials procurement for the 10kV and Below Project under the New Rural Power Grid Consolidation and Improvement Project (i.e. RMB89,634,092.55 (tax inclusive)) under the Equipment and Materials Procurement Contract.

The Group will only take part in the equipment and materials procurement for part of the 10kV and Below Project under the 2023 Rural Power Grid Consolidation and Improvement Project in the Equipment and Materials Procurement Contract.

Pricing: The estimated contract price was the successful tender price offered by Materials Industry Group in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents.

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The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) (the “**Management Measures**”) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of geotechnical engineering and electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant.

When selecting the successful bidder, the evaluation panel had considered a basket of factors including, among others, (i) from the business aspects, the bidders’ background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the timeliness, quality and assurance of equipment and materials to be procured and delivered and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms:

The contract price shall be paid in the following manner:

- (i) 30% of the estimated contract price (tax inclusive) as advance payments within 14 days upon approval by the 10kV and Below Project Implementation Units and the Other 10kV and Below Project Implementation Units of the application for advance payments;
- (ii) 67% of the contract price within 7 working days after acceptance of the equipment and materials supplied and issuance of invoice; and
- (iii) the remaining 3% of the contract price shall be retained as quality warranty and payable (without interests) within 14 days after the expiry of the warranty period and if there is no event of default.

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Advance payment guarantee: The contractor shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the Equipment and Materials Procurement Contract.

The advance payment guarantee shall be released once the advance payment is fully utilised.

Performance guarantee: The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee.

The performance guarantee shall be returned to the contractors 6 months after the satisfactory completion inspection of the 10kV and Below Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractor.

(iii) EPC Contract for 35kV and Above Project

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sichuan Energy Construction (as contractor);
- (3) Sichuan Energy Consolidated Energy (as contractor);
- (4) Sichuan Energy Investment Development Construction (as contractor);
- (5) 35kV and Above Project Implementation Units; and
- (6) Other 35kV and Above Project Implementation Units

Project: The 35kV and Above Project, comprising, among others, the construction and modification of 110kV substations, main transformers, 110kV circuit line, 35kV substations, main transformers and 35kV circuit line.

Scope of service: Survey and design of the project (preliminary design and construction drawing design stages), procurement of equipment and materials, general contracting of construction works

Construction period: 275 calendar days

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Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent:

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved contractors;
3. the rural power grid investment contract among Hydropower Group, the 35kV and Above Project Implementation Units and Other 35kV and Above Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for 35kV and Above Project);
4. the self-financed funds (if any) of the 35kV and Above Project Implementation Units and Other 35kV and Above Project Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Defect liability period: 24 months commencing from the issuance of project delivery certificate

Total estimated contract price payable under the EPC Contract for 35kV and Above Project: RMB718,304,068.00 (tax inclusive) which comprises (i) the survey and design fee of RMB25,580,365.00 (tax inclusive); (ii) the construction fee and other fee of RMB382,589,103.00 (tax inclusive); and (iii) the equipment procurement fee of RMB310,134,600.00 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group.

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Out of the total estimated contract price of RMB718,304,068.00 (tax inclusive), it is envisaged that (i) the 35kV and Above Project Implementation Units shall share and be responsible for the payment of RMB107,836,000 (tax inclusive); and (ii) Sichuan Energy Investment Development Construction as one of the contractors, will receive RMB103,906,990 (tax inclusive) for the services to be rendered.

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents.

The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) (the "Management Measures") and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of geotechnical engineering and electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

When selecting the successful bidder, the bid evaluation committee had considered a basket of factors including, among others, (i) from the business aspects, the bidders' background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged.

The tender price offered was determined by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development Construction in accordance with the relevant laws and regulations and documents issued by the governmental authorities, including but not limited to Budget Quota for Power Construction Engineering (《電力建設工程概預算定額》) with reference to on-site inspection and information collected.

Payment terms:

The contract price shall be paid in the following manner:

(i) Advance payments

The advance payment shall be 15% of the total estimated contract price and payable within 14 days upon approval by the 35kV and Above Project Implementation Units and Other 35kV and Above Project Implementation Units of the application for advance payments.

The advance payment shall be credited into the progress payments (as detailed below) once the aggregate progress payments reached 30% of the total contract sum. At which point, 30% of the advance payments shall be credited into each subsequent progress payment until the aggregate amount of progress payments reached 80% of the total estimated contract sum (inclusive of the advance payments credited) and the entire advance payments are credited.

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(ii) Progress payments

Survey and design fee

Up to 80% of the total survey and design fee (inclusive of advance payments) after confirmation of construction drawing design.

Up to 85% of the total survey and design fee after completion and acceptance of the project.

Up to 97% of the total survey and design after settlement and audit.

The remaining 3% of the total survey and design fee shall be retained as quality warranty and shall be paid after the expiry of defect liability period.

Other progress payments

Up to 80% of the contract price (after deducting the survey and design fee) based on 80% of the actual amount of the work completed each month.

Up to 85% of the total contract price (after deducting the survey and design fee) after completion and acceptance of the project.

Up to 97% of the total contract price after settlement and audit.

The remaining 3% of the total contract price shall be retained as quality warranty and shall be paid after the expiry of defect

(iii) Quality warranty

3% of the total estimated contract price shall be retained as quality warranty, which shall be paid (without interest) upon verification of completion of defect liability after the expiry of defect liability period.

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Advance payment guarantee: The contractors shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the EPC Contract for 35kV and Above Project.

The advance payment guarantee shall be released once the advance payment is fully utilised.

Performance guarantee: The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee.

The performance guarantee shall be returned to the contractors 3 months after the satisfactory completion inspection or delivery (where applicable) of the 35kV and Above Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractors.

(iv) EPC Contract for Automation Engineering Project

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sun Technology;
- (3) Sichuan Energy Consolidated Energy;
- (4) Automation Engineering Project Implementation Units; and
- (5) Other Automation Engineering Project Implementation Units

Project: The Automation Engineering Project, comprising, among others, (i) the construction of the portion of various 35kV and above projects relating to communication and auxiliary control; (ii) the automation improvement engineering, including rural power grid dispatching automation engineering, transformers station operation, maintenance and recondition and main station system engineering, dispatching automation network security level protection engineering, distribution grid dispatching automation engineering, energy use safety engineering and rural power grid distribution energy automation system and supporting projects of Hydropower Group; and (iii) communication improvement project in Changning County, which includes the improvement of the rural power grid communication system within the county

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- Scope of service: Design (preliminary design and construction drawing design stages), installation, commissioning and general contracting, and procurement of equipment and materials with respect to the Automation Engineering Project
- Construction period: 275 calendar days
- Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent:
1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
 2. Hydropower Group having received the performance guarantee from the approved contractors;
 3. the rural power grid investment contract among Hydropower Group, the Automation Engineering Project Implementation Units and Other Automation Engineering Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the EPC Contract for Automation Engineering Project);
 4. the self-financed funds (if any) of the Automation Engineering Project Implementation Units and Other Automation Engineering Project Implementation Units being available;
 5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
 6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.
- Defect liability period: 24 months commencing from the issuance of project delivery certificate

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Total estimated contract price payable under the EPC Contract for Automation Engineering Project: RMB90,694,397.00 (tax inclusive) which comprises (i) the design fee of RMB3,175,063.00 (tax inclusive); (ii) the construction fee and other fee of RMB13,426,622.00 (tax inclusive); and (iii) the equipment procurement fee of RMB74,092,712.00 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group.

Out of the total estimated contract price of RMB90,694,397.00 (tax inclusive), it is envisaged that the Automation Engineering Project Implementation Units shall share and be responsible for the payment of RMB9,863,897 (tax inclusive).

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

Pricing: The estimated contract price was the successful tender price offered by Sun Technology and Sichuan Energy Consolidated Energy in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents.

The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) (the "Management Measures") and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of geotechnical engineering and electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant.

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When selecting the successful bidder, the bid evaluation committee had considered a basket of factors including, among others, (i) from the business aspects, the bidders' background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms: The contract price shall be paid in the following manner:

(i) Advance payments

The advance payment shall be 30% of the total estimated contract price and payable within 14 days upon approval by the Automation Engineering Project Implementation Units and Other Automation Engineering Project Implementation Units of the application for advance payments.

The advance payment shall be credited into the progress payments (as detailed below) once the aggregate progress payments reached 30% of the total contract sum. At which point, 30% of the advance payments shall be credited into each subsequent progress payment until the aggregate amount of progress payments reached 80% of the total estimated contract sum (inclusive of the advance payments credited) and the entire advance payments are credited.

(ii) Progress payments

Up to 80% of the total contract price based on 80% of the actual amount of work completed each month.

Up to 85% of the total contract price after completion and acceptance of the project.

Up to 97% of the total contract price after settlement and audit.

(iii) Quality warranty

3% of the total estimated contract price shall be retained as quality warranty, which shall be paid (without interest) upon verification of completion of defect liability after the expiry of defect liability period.

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Advance payment guarantee: The contractors shall provide an advance payment guarantee, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the EPC Contract for Automation Engineering Project.

The advance payment guarantee shall be released once the advance payment is fully utilised.

Performance guarantee: The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee. The performance guarantee shall be returned to the contractors 3 months after the satisfactory completion inspection and delivery of the Automation Engineering Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractors.

(v) Construction Supervision Contract

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sichuan Yilian (as supervisor);
- (3) Construction Supervision Implementation Units; and
- (4) Other Construction Supervision Implementation Units

Project: The 2023 Rural Power Grid Consolidation and Improvement Project and the New Rural Power Grid Consolidation and Improvement Project.

The Construction Supervision Contract covers two major projects, being the construction supervision of the 2023 Rural Power Grid Consolidation and Improvement Project and the construction supervision of the New Rural Power Grid Consolidation and Improvement Project.

The Group will only take part in the construction supervision of part of the 2023 Rural Power Grid Consolidation and Improvement Project.

Scope of service: Construction supervision services

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Conditions precedent: The contract shall become effective subject to the satisfaction of the following conditions precedent:

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved supervisor;
3. the rural power grid investment contract among Hydropower Group, the Construction Supervision Implementation Units and Other Construction Supervision Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective rural power grid investment contract, the project involving such implementation unit shall not be implemented, but it shall not affect the implementation of the other projects under the Construction Supervision Contract);
4. the self-financed funds (if any) of the Construction Supervision Implementation Units and Other Construction Supervision Implementation Units being available;
5. the Independent Shareholders having approved the contract and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules; and
6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Quality defect liability period: 12 months

Total estimated contract price payable under the Construction Supervision Contract: RMB39,932,942.00 ^{Note} (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. **Out of the total estimated contract price of RMB39,932,942.00 ^{Note} (tax inclusive), it is envisaged that the Construction Supervision Implementation Units shall share and be responsible for the payment of RMB7,733,670 (tax inclusive).**

Based on the Company's past experience and estimation, the final settlement amount is expected to have a fluctuation of no more than 5% from the estimated contract price.

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Note: The total contract sum of RMB39,932,942.00 (tax inclusive) represent the aggregate of the contract sum of the construction supervision for the 2023 Rural Power Grid Consolidation and Improvement Project (i.e. RMB37,435,804.00 (tax inclusive)) and the contract sum of the construction supervision for the New Rural Power Grid Consolidation and Improvement Project (i.e. RMB2,497,138.00 (tax inclusive)) in the Construction Supervision Contract. **The Group will only take part in the construction supervision for part of the 2023 Rural Power Grid Consolidation and Improvement Project.**

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Yilian in the public tender and was accepted by the bid evaluation committee (評標委員會) after thorough evaluation pursuant to the relevant rules and regulations of the PRC and the tender documents.

The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province* (《四川省評標專家和綜合評標專家庫管理辦法》) (the “**Management Measures**”) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts, being Independent Third Parties, are professionals with senior title or equivalent professional level in the PRC with at least 8 years of working experience in the fields of geotechnical engineering and electrical engineering pursuant to the requirements of the Management Measures, while the three representatives of Hydropower Group comprise two senior engineers and one senior accountant.

When selecting the successful bidder, the evaluation panel had considered a basket of factors including, among others, (i) from the business aspects, the bidders’ background, experience, credibility and the bidding price for the required services; and (ii) from the technical aspects, the qualification(s) possessed by the professional team of the bidder to be engaged.

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Payment terms: The contract price shall be paid in the following manner:

- (i) 15% of the estimated contract price as advance payments within 14 days upon approval by the Construction Supervision Implementation Units and Other Construction Supervision Implementation Units of the application for advance payments;
- (ii) up to 80% of the contract price based on the actual amount of construction work completed every two months;
- (iii) up to 97% of the contract price after settlement and audit, delivery of all supervision materials and execution of project delivery certificate; and
- (iv) the remaining 3% of the contract price shall be retained as quality warranty and payable after the expiry of the quality defect liability period.

Advance payment guarantee: The contractors shall provide an **advance payment guarantee**, either in the form of cash or a letter of guarantee, with an amount not less than the advance payment payable under the Construction Supervision Contract.

The advance payment guarantee shall be released once the advance payment is fully utilised.

Performance guarantee: The supervisor shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by way of cash or a letter of guarantee.

The performance guarantee shall be returned to the contractors after the satisfactory completion inspection of the project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the supervisor.

Allocation Arrangement of Contract Price Payable

As detailed above, the Group is responsible for the payment of (i) RMB207,875,798 (tax inclusive) out of the total estimated contract price of RMB967,673,620 (tax inclusive) under the EPC Contract for 10kV and Below Project; (ii) RMB208,728,821.67 (tax inclusive) out of the total estimated contract price of RMB972,316,337.92 (tax inclusive) under the Equipment and Materials Procurement Contract; (iii) RMB107,836,000 (tax inclusive) out of the total estimated contract price of RMB718,304,068.00 (tax inclusive) under the EPC Contract for 35kv and Above Project; (iv) RMB9,863,897 (tax inclusive) out of the total estimated contract price of RMB90,694,397.00 (tax inclusive) under the EPC Contract for Automation Engineering Project; and (v) RMB7,733,670 (tax inclusive) out of the total estimated contract price of RMB39,932,942.00 (tax inclusive) under the Construction Supervision Contract.

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The EPC Contract for 10kV and Below Project and the Equipment and Materials Procurement Contract cover the same 26 counties (cities and districts), including Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County which the Group (through the 10kV and Below Project Implementation Units) is responsible for the works of the projects thereat. The EPC Contract for 35kV and Above Project covers 16 counties (cities and districts), including Xuzhou District, Pingshan County, Gong County and Junlian County, which the Group (through the 35vK and Above Project Implementation Units) is responsible for the works and projects thereat. The EPC Contract for Automation Engineering Project covers 24 counties (cities and districts), including Xuzhou District, Gao County, Gong County, Julian County, Pingshan County and Xingwen County, which the Group (through the Automation Engineering Project Implementation Units) is responsible for the works and projects thereat. The Construction Supervision Contract covers 27 counties (cities and districts), including Xuzhou District, Gao County, Gong County, Julian County, Pingshan County and Xingwen County, which the Group (through the Construction Supervision Implementation Units) is responsible for the construction supervision thereat.

Generally, based on the parties' agreed work allocation arrangement, each of the implementation units under the 2023 Rural Power Grid Contracts would be responsible for the part of the projects conducted in the counties, cities or districts where it is located at (including overseeing the work quality of the subcontractor, progress of the construction and payment, etc.), and share the related costs of such part of the projects.

On this premise, the Group (in the capacity as the relevant implementation units) would bear the costs of the projects conducted in Xuzhou District, Gao County, Gong County, Julian County, Pingshan County and/or Xingwen County, and hold ownership of such part of the assets upon completion of the relevant construction it is responsible for.

The amount of the costs to be shared under each 2023 Rural Power Grid Contracts is therefore determined with reference to the aforesaid agreed work allocation arrangement between the parties and the quotations in the successful tender, which set out the estimated fee quote for the works to be carried out in each county (city, district).

(a) *Reasons for and benefits of entering into the 2023 Rural Power Grid Contracts*

As stated in the "Letter from the Board", according to the Approval of the Sichuan Province Development and Reform Commission on the 2023 Rural Power Grid Consolidation and Improvement Project Feasibility Study Report (Chuan Fa Gai Neng Yuan [2023] No. 86) (四川省發展和改革委員會關於2023年農網鞏固提升工程項目可行性研究報告的批覆(川發改能源[2023]86號)), Hydropower Group shall be responsible for the unified organization and implementation of the 2023 Rural Power Grid Consolidation and Improvement Project. As such, Hydropower Group conducted public tender in compliance with the requirements of the Bidding Law of the People's Republic of China (《中華人民共和國招投標法》) and other relevant laws and regulations and finally determined the winning bidders of the 2023 Rural Power Grid Contracts. The implementation of the 2023 Rural Power Grid Consolidation and Improvement Project will further improve the power grid structure within the supply area of the Group, enhance the quality of rural power grid electricity supply within the supply area and better serve the rural areas and boost the economy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors (including the independent non-executive Directors who express their views after considering the advice from the Independent Financial Adviser but excluding the Directors who have abstained from voting on the Board resolutions (as set out below) to approve the 2023 Rural Power Grid Contracts)) are of the view that the 2023 Rural Power Grid Contracts are entered into (i) on normal commercial terms or better; and (ii) on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As the 2023 Rural Power Grid Consolidation and Improvement Project will improve the power grid structure within the supply area of the Group and the quality of such supply, we considered entering into the contracts will boost the Group's competitiveness in the rural areas. Further, since the implementation of such projects boosts the economy of the rural areas, it would demonstrate the Company's response to the call of the government policy for rural areas development. Hence, entering into the 2023 Rural Power Grid Contracts is in the interests of the Company and the Shareholders as a whole if the terms of such 2023 Rural Power Grid Contracts are fair and reasonable.

(b) Our views on the 2023 Rural Power Grid Contracts

The Public Tender Process

It is noted that the successful bid documents for 2023 Rural Power Grid Consolidation and Improvement Project are determined via public tender processes ("**Public Tenders**"). We have reviewed all of the five documents of invitation to tender ("**Invitation to Tenders**") regarding the 2023 Rural Power Grid Contracts and it is observed that the such processes as stipulated were in line with the process approved by Sichuan Provincial Development and Reform Commission (四川省發展和改革委員會) under the Approval of the Sichuan Province Development and Reform Commission on the 2023 Rural Power Grid Consolidation and Improvement Project Feasibility Study Report (Chuan Fa Gai Neng Yuan [2023] No. 86) (四川省發展和改革委員會關於2023年農網鞏固提升工程項目可行性研究報告的批覆(川發改能源[2023]86號)).

We have noted that Hydropower Group conducted public tender in compliance with the requirements of the Bidding Law of the People's Republic of China (《中華人民共和國招投標法》), which provides that, including but not limited to, (i) the tenders should be awarded after fair and transparent assessment; (ii) the invitation to tenders should be sent to over three potential bidders; (iii) the bid evaluation committee should be consisted of over five members, two thirds of which should be experienced in related technology and/or economics fields. The details of our observation were set out in the paragraphs below.

The Invitations to Tender were released in a national platform (i.e. 全國公共資源交易平台(四川省)) and provided approximately one (1) month for the potential bidders to prepare the implementation proposals and calculate the relevant budget for the consideration of the respective project. We considered the length of the bidding period of approximately one (1) month is fair to enable the experienced bidder companies to prepare their proposals and make accurate budget to cover the implementation of the projects in the stipulated districts or counties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The bid documents for the 2023 Rural Power Grid Consolidation and Improvement Project were evaluated by the Bid Evaluation Committees (評標委員會) respectively. Each Bid Evaluation Committee should comprise nine (9) persons, the composition of which were in compliance with the regulations as announced by the Sichuan Provincial People's Government. We have reviewed the tender assessment records regarding the selection of Bid Evaluation Committee members and we observed that save as the three members are representatives of Hydropower Group, the other six members are randomly selected from the Bid Evaluation Expert Database of Sichuan Province Province* (四川省評標專家庫) pursuant to the selection criteria include such members should have graduated from relevant majors to ensure they have the professional knowledge on the related field. Further, for all the six Bid Evaluation Committees, the selected six experts all have relevant qualification which demonstrated they possess the knowledge and skills to assess the qualification and capacity of the bidders. We were informed by the Company that every six selected members for the respective Bid Evaluation Committee had extensive working experience in the related field to the respective 2023 Rural Power Grid Contracts. Further, the members of the Bid Evaluation Committees shall be disqualified in any of the following cases:

- (1) a close relative of the principal person in charge of the bidder or tenderer;
- (2) a personnel of the competent project department or administrative supervision department;
- (3) has economic interests with the bidders that may affect the fair evaluation of the bids; or
- (4) had received any administrative penalties or criminal sanctions for any illegal behaviour conducted in any tenders, tenders evaluation or any related activities.

We are of the view that the requirements of the bid evaluation experts regarding the relevant technical/knowledge skills enable the bid evaluation to be conducted in a fair and effective way.

The respective evaluation mechanism as stipulated under the Invitation to Tenders allocates different range of scores to different aspects, including but not limited the bidders' legal capacity to implement the projects; their on-going operating capacity, their track records; their qualification and reputation in the industry; their quotation and the degree of deviance of their quotation from the benchmark quotation which is derived from the all quotations from the bid documents; and their after-project services. The successful bidders should be those who got the highest scores, and if there are bidders who were marked the same scores, the one with the lower quotation shall outweigh. We have reviewed the evaluation reports for the 2023 Rural Power Grid Consolidation and Improvement Project and observed the assessment of the bid documents were in line with the evaluation mechanism as stipulated.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the evaluation reports for all the five contracts consisting of 2023 Rural Power Grid Contracts and we observed that the evaluation reports have declared none of the nine (9) experts of the respective Bid Evaluation Committee for the five contracts has conflict of interest pursuant to the scenarios listed above, which was in compliance with the the regulations as announced by the Sichuan Provincial People's Government. Moreover, the number of bid documents which were submitted for the 2023 Rural Power Grid Contracts ranged from four (4) to six (6), and each bid document was assessed in line with the standard as prescribed under the Invitations to Tenders. The successful bidders who were awarded the tenders for the 2023 Rural Power Grid Contracts were the ones who got the highest scores. We considered the selection processes to enable the most competitive bidders to be rewarded the tenders were fair and reasonable, and in the interests of the Company and Shareholders as a whole.

Further, the name of the successful bidders of the Public Tenders will be publicised for three to five business days and any objection could be raised out during such period. As discussed by the Company, there was no objection being raised out on the successful bidders of Public Tenders for the 2023 Rural Power Grid Contracts.

We considered that the Public Tenders were conducted in a transparent way and it is fair and reasonable to weigh a complex set of factors to evaluate the bidders and their bid documents.

The principal terms of the 2023 Rural Power Grid Contracts

We have reviewed the 2023 Rural Power Grid Contracts and it is noted that such contracts have provided the certainty of terms, including but not limited to parties' rights and obligation, the scope of service, the consideration of contracts, the payment terms, the schedule of the project implementation, the quality/defect period, the advancement guarantee and the performance guarantee, which are normal commercial terms under the contracts for construction projects.

We noted that one of the conditions precedent of the 2023 Rural Power Grid Contracts is that Hydropower Group having received the performance guarantee from the approved counterparties of the respective contract, and the advance payments of the consideration should also be guaranteed. We are of the view that the clause of advance payment guarantee and performance guarantee protect the interests of the Company and the Shareholders as a whole in the event that there was any default or material defect by the counterparties of the Company and the Company exerts the rights to claim damages.

From the details of the processes of Public Tenders as disclosed above, we considered that the consideration of the 2023 Rural Power Grid Contracts are fair and reasonable given the tenders were awarded to the bidders whose bid documents obtained the highest marks after being evaluated by the Bid Evaluation Committees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the payment terms, we have selected sample contracts to see whether the 2023 Rural Power Grid Contracts are in line with the industry practice. Our selection criteria include: (i) the sample contracts should have the similar scope of service with the 2023 Rural Power Grid Contracts; (ii) the duration of the projects under the sample contracts were similar to those of the 2023 Rural Power Grid Contracts; and (iii) the projects under the sample contracts were completed during the period from year 2021 to the seven months ended 31 July 2024. According to our selection criteria, we have been provided a set of sample contracts (“**Sample Contracts**”) consisting of seven (7) sample contracts of the EPC Contract for 10kV and Below Project; seven (7) sample contracts of the Equipment and Materials Procurement Contract; one (1) sample contract of the EPC Contract for 35kv and Above Project; one (1) sample contract of the EPC Contract for Automation Engineering Project; and seven (7) sample contracts of the Construction Supervision Contract. As confirmed by the Company, such Sample Contracts were representative.

After reviewing the sample contracts, we are of the view that the payment terms of EPC Contract for 10kV and Below Project, Equipment and Materials Procurement Contract, EPC Contract for 35kv and Above Project, Automation Engineering Project, and Construction Supervision Contract respectively are generally in line with the Sample Contracts, which are fair and reasonable.

Further, the payment terms of the 2023 Rural Power Grid Contracts have been provided and stipulated under the Invitation to Tender, which demonstrate such payment terms are fair and acceptable from the perspective of the Hydropower Group (which also represents the Company). The bidders who submit the bid documents are not allowed to amend such payment terms.

In light of what has been discussed above, we are of the view that the principal terms of the 2023 Rural Power Grid Contracts are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the transactions contemplated under the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts are on normal commercial terms, and are entered into in the ordinary and usual course of business of the Group; and (ii) the terms and conditions contained under the Electricity Purchase Framework Agreements and its proposed annual caps, and the 2023 Rural Power Grid Contracts are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Electricity Purchase Framework Agreements and the 2023 Rural Power Grid Contracts and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Kaiser Wan
Managing Director

Mr. Kaiser Wan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Messis Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 10 years of experience in the accounting and investment banking industries.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2021, 2022 and 2023 and unaudited financial information of the Group for the six months ended 30 June 2024 are disclosed in the following documents, which can be accessed on both the websites of the HKEXnews (<http://www.hkexnews.hk>) and the Company (www.scntgf.com).

- (i) Annual report of the Company for the year ended 31 December 2021 (pages 71-190), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042101964.pdf>

- (ii) Annual report of the Company for the year ended 31 December 2022 (pages 75-198), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0419/2023041901159.pdf>

- (iii) Annual report of the Company for the year ended 31 December 2023 (pages 76-198), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0422/2024042201393.pdf>

- (iv) the interim results announcement of the Company for the six months ended 30 June 2024 (pages 2-15), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0828/2024082801432.pdf>

2. STATEMENT OF INDEBTEDNESS OF THE GROUP

As at the close of the business on 31 July 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the borrowings of the Group comprised the following indebtedness.

	<i>RMB'000</i> (Unaudited)
Non-current	
Long-term borrowings	585,880
Less: Current portion of long-term borrowings	(22,940)
Lease liabilities	5,616
Less: Current portion of lease liabilities	(2,116)
Long-term payables	<u>590,601</u>
Subtotal	1,157,041
Current	
Other payables	12,250
Short-term borrowings	204,694
Non-current liabilities due within one year	<u>25,056</u>
Subtotal	242,000
Total	<u><u>1,399,041</u></u>

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or any material outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or any other actual or material contingent liabilities outstanding at the close of business on 31 July 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 July 2024 up to and including the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources of the Group (including the Group's internal resources, available banking and other borrowing facilities), in the absence of any unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for the Group's requirements for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirmed that, as at the Latest Practicable Date, there had not been any material change in the financial or operation position or outlook of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. IMPACT OF THE 2023 RURAL POWER GRID CONTRACTS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

As at 31 December 2023, the audited consolidated total assets and total liabilities of the Group amounted to approximately RMB6,324.8 million and RMB2,921.0 million respectively. The consideration payable under the 2023 Rural Power Grid Contracts will be settled in cash by way of utilising the Group's internal resources and external financing.

The facilities under the 2023 Rural Power Grid Contracts would be recorded as property, plant and equipment under non-current assets of the Group and hence the amount of the total assets of the Group is expected to increase following the completion of the works, after such increase is partially offset by the decrease in cash and cash equivalents. The amount of the total liabilities of the Group is also expected to increase due to the funding requirements of the consideration of the 2023 Rural Power Grid Contracts. Given the nature of the 2023 Rural Power Grid Contracts, the Group does not expect the 2023 Rural Power Grid Contracts to have immediate material impact on the earnings of the Group.

6. FINANCIAL AND OPERATION PROSPECTS OF THE GROUP

The Company is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. In the first half of 2024, the Company's sales of electricity increased by 29.1% year-on-year and its revenue increased by 23.5% year-on-year.

As of 30 June 2024, the Group had and operated an aggregate of 6 hydropower plants with a total installed capacity of 127,030 kW. The Group also had 3 units of 220 kV substations with an aggregated capacity of 1,080,000 kVA, 24 units of 110 kV substations with an aggregated capacity of 1,655,400 kVA, and 58 units of 35 kV substations with an aggregated capacity of 616,600 kVA.

Looking forward, with strong support from Energy Investment Group, the Group will further focus on its core business, continue to expand power sources, strengthen power grids, penetrate into green energy business, promote scientific and technological innovation, reinforce risk prevention and control, and improve its service capabilities to achieve stable operating performance.

Firstly, the Company will gather strength to reinforce the core business, grasp the focus of strategic objectives, continuously expand the scale of power sources, expedite the construction of water pumping and storage project in Xuzhou and natural gas power generation project in Xingwen County, comprehensively promote the hydro-solar complementary project, tea-solar complementary project and distributed photovoltaic project on the roof of the park, and promote the construction of a diversified, adequate and reliable power supply system. In addition, it will accelerate the construction of major power grid projects in the regional power grid, solidly carry out regional power grid operation management, mode management, power quality management, economic operation management and load forecasting, strengthen the digital and intelligent application of power grids, and make every effort to build a regional smart green power system.

Secondly, the Company will comprehensively penetrate into the green energy business, and promote in-depth cooperation between government and the enterprise based on the "Electric Yibin" action plan. Subsidiaries of the Company operating in the green energy industry should proactively seize high-quality energy resources and deepen business planning, personnel management and mechanism operation capabilities.

Thirdly, the Company will improve capital operation capabilities with solid paces, give full play to the comprehensive advantages of the listed platform and the experience and technical advantages of power operation management, seek high-quality projects along the upstream and downstream of the energy industry, and strengthen management following equity investment.

Fourthly, the Company will facilitate the construction business to "go out of Yibin", make full use of Chengdu's regional resource advantages, actively explore high-quality projects such as power engineering construction, labor service construction and small car rental, continue to expand market share, and create new growth drivers for the Company. By creating value, the Group aims to achieve sustainable and healthy development for the best interests of the Group and its shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the total number of issued shares of the Company was 1,074,357,700, comprising 787,396,758 H Shares listed on the Stock Exchange and 286,960,942 Domestic Shares.

3. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, according to the information obtained by the Company and to the best knowledge of the Company, none of our Directors, Supervisors or chief executives of the Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO, nor is any of them taken to or deemed to have under Divisions 7 and 8 Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Group or any of its associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be registered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code. As at the Latest Practicable Date, according to the information obtained by the Company and to the best knowledge of the Company, save as disclosed in this Circular, none of the Directors or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Group which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware and pursuant to the Disclosure of Interests as published on the website of the Stock Exchange, as at the Latest Practicable Date, the persons other than a Director, Supervisor or senior management of the Company who had interests or short positions in the Shares or underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of shareholder	Capacity	Class of Shares	Number of Shares (Note 1)	Long position/ short position	Percentage of total Shares (%)	Percentage of Shares of the same class issued (%)
Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司) (Note 2)	Interest of controlled corporations	Domestic Shares	286,960,942	Long	26.71	100.00
	Beneficial owner and interest of controlled corporations	H Shares	132,375,058	Long	12.32	16.81
Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司)(Note 2)	Interest of controlled corporations	Domestic Shares	286,960,942	Long	26.71	100.00
	Interest of controlled corporations	H Shares	107,437,458	Long	10.00	13.64
Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司)	Beneficial owner	Domestic Shares	286,960,942	Long	26.71	100.00
	Beneficial owner	H Shares	107,437,458	Long	10.00	13.64
China Power International Development Limited (中國電力國際發展有限公司)	Beneficial owner	H Shares	98,039,200	Long	9.13	12.45
China Three Gorges Corporation* (中國長江三峽集團有限公司)(Note 3)	Interest of controlled corporations	H Shares	98,039,200	Long	9.13	12.45
Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司)	Beneficial owner	H Shares	98,039,200	Long	9.13	12.45
Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司)	Beneficial owner	H Shares	92,406,000	Long	8.60	11.74
Tianqi Lithium HK CO., Ltd (天齊鋰業香港有限公司)	Beneficial owner	H Shares	77,500,000	Long	7.21	9.84
Yibin Development Holding Group Co., Ltd.* (宜賓發展控股集團有限公司)	Beneficial owner	H Shares	65,359,500	Long	6.08	8.30
Tian Qiu (田秋)(Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,570,000	Long	5.82	7.95
Wang Wenxiang (王文香)(Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,570,000	Long	5.82	7.95
Sichuan Jinneng Energy Group Co., Ltd.* (四川金能能源集團有限公司)(Note 4)	Interest of controlled corporations	H Shares	62,570,000	Long	5.82	7.95
Jinneng Holding (Hong Kong) Limited	Beneficial owner	H Shares	62,570,000	Long	5.82	7.95
Beijing Forever Technology Company Limited* (北京恆華偉業科技股份有限公司)	Beneficial owner	H Shares	55,366,000	Long	5.15	7.03

Notes:

1. As at the Latest Practicable Date, the Company has issued 286,960,942 Domestic Shares and 787,396,758 H Shares. The total number of issued Shares was 1,074,357,700 shares.
2. As at the Latest Practicable Date, Hydropower Group held 286,960,942 Domestic Shares and 107,437,458 H Shares, and Hydropower Group is held as to 77.74% of equity interest by Energy Investment Group which is in turn wholly owned by Sichuan Development Co.. Therefore, Energy Investment Group is deemed to be interested in 286,960,942 Domestic Shares and 107,437,458 H Shares held by Hydropower Group pursuant to Part XV of the SFO; Sichuan Development Co. is also deemed to be interested in the said 286,960,942 Domestic Shares and 107,437,458 H Shares. In addition, Sichuan Development Co. directly held 24,937,600 Domestic Shares of the Company, thus Sichuan Development Co. was deemed to hold a total of 286,960,942 Domestic Shares and 132,375,058 H Shares.
3. As at the Latest Practicable Date, Three Gorges Capital Holdings Company Limited held 98,039,200 H Shares. Three Gorges Capital Holdings Company Limited is directly and indirectly controlled as to 90% by China Three Gorges Corporation. Therefore, according to Part XV of the SFO, China Three Gorges Corporation is deemed to be interested in 98,039,200 H Shares.
4. As at the Latest Practicable Date, Jinneng Holding (Hong Kong) Limited held 62,570,000 H Shares. Jinneng Holding (Hong Kong) Limited is directly wholly-owned by Sichuan Jinneng Energy Group Co., Ltd., which was owned as to 70% and 30% by Mr. Tian Qiu and Ms. Wang Wenxiang, respectively. In addition, Mr. Tian Qiu and Ms. Wang Wenxiang are couples. Therefore, according to Part XV of the SFO, Sichuan Jinneng Energy Group Co., Ltd. is deemed to be interested in 62,570,000 H Shares held by Jinneng Holding (Hong Kong) Limited. Mr. Tian Qiu and Ms. Wang Wenxiang are also deemed to be interested in the 62,570,000 H Shares above.

As at the Latest Practicable Date, the Company was not aware of any other persons (other than the Directors, Supervisors or chief executive of the Company) have an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

As at the Latest Practicable Date, save for Mr. He Jing (the chairman of the Board and an executive Director) was a director of the Hydropower Group, none of the other Directors was a director or employee of the Company's substantial shareholders.

5. COMPETING INTEREST

As at the Latest Practicable Date, to the best knowledge of the Board, none of the Directors or Supervisors of the Company and their respective associates was interested in any business which competed or was likely to compete with the business of the Group, or caused or was likely to cause any other conflict of interest to the Group.

6. INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, except for the service contracts, there was no transaction, arrangement or contract of significance to the Company's business in which the Company, any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which the Directors, Supervisors or entities connected with them have or had directly or indirectly material interests.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2023, the date to which the latest published audited consolidated accounts of the Company have been made up.

8. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Company.

9. SERVICE CONTRACTS

A service contract has been entered into between each of the independent non-executive Directors and the Company, with a term of service consistent with the term of the fifth session of the Board. No service contracts between the Company and each of the executive Directors and non-executive Directors have been entered for their appointments of the fifth session of the Board. The Directors are subject to retirement and re-election at the general meetings of the Company in accordance with the Articles.

No service contracts have been entered into between the Company and the Supervisors for their appointments of the fifth session of the Supervisory Committee. The Supervisors are subject to retirement and re-election at the general meetings of the Company in accordance with the Articles.

No service contracts that cannot be terminated by the Company within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors as at the Latest Practicable Date.

10. MATERIAL CONTRACTS

The Group has not entered into any contracts that are or may be material (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date.

11. EXPERT

- (1) The following are the qualifications of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Messis Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

- (2) As at the Latest Practicable Date, MESSIS had no beneficial shareholding interest in any member of the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

- (3) Messis has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter or report and references to its name in the form and context in which it is included.
- (4) As at the Latest Practicable Date, Messis was not interested, directly or indirectly, in any assets which had since 31 December 2023 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.scntgf.com) during the period of 14 days from the date of this circular:

- (1) the Shuifu Hongli Electricity Purchase Framework Agreement;
- (2) the Yibin Zhangwo Electricity Purchase Framework Agreement;
- (3) the EPC Contract for 10kV and Below Project;
- (4) the Equipment and Materials Procurement Contract;
- (5) the EPC Contract for 35kv and Above Project;
- (6) the EPC Contract for Automation Engineering Project; and
- (7) the Construction Supervision Contract.
- (8) the letter from Independent Financial Adviser, as set out on pages 57 to 109 of this circular; and
- (9) the written consent of the Independent Financial Adviser referred to in the section headed “11. Expert” in this appendix.

13. MISCELLANEOUS

- (1) The joint company secretaries of the Company are Ms. Li Jia and Ms. Wong Wai Ling who is a member of the Hong Kong Institute of Chartered Secretaries.
- (2) The head office and registered office address of the Company is situated at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC. The principal place of business in Hong Kong is situated at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.
- (3) The H Share Registrar of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (4) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text unless otherwise stated.

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING



四川能投發展股份有限公司 Sichuan Energy Investment Development Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01713)

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the third extraordinary general meeting (the “**EGM**”) of Sichuan Energy Investment Development Co., Ltd.* (the “**Company**”) for the year 2024 will be held at Hydropower Building, No. 789 Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC at 10:00 a.m. on Thursday, 10 October 2024 to consider and, if thought fit, to pass, with or without modifications, the following resolution of the Company. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 20 September 2024.

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, approve the Yibin Zhangwo Electricity Purchase Framework Agreement and the transactions contemplated thereunder together with its proposed annual caps as set out in the circular of the Company dated 20 September 2024; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Yibin Zhangwo Electricity Purchase Framework Agreement.
2. To consider and, if thought fit, approve the Shuifu Hongli Electricity Purchase Framework Agreement and the transactions contemplated thereunder together with its proposed annual caps as set out in the circular of the Company dated 20 September 2024; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Shuifu Hongli Electricity Purchase Framework Agreement.
3. To consider and, if thought fit, approve the EPC Contract for 10kV and Below Project and the transactions contemplated thereunder as set out in the circular of the Company dated 20 September 2024; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the EPC Contract for 10kV and Below Project.

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

4. To consider and, if thought fit, approve the Equipment and Materials Procurement Contract and the transactions contemplated thereunder as set out in the circular of the Company dated 20 September 2024; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Equipment and Materials Procurement Contract.
5. To consider and, if thought fit, approve the EPC Contract for 35kV and Above Project and the transactions contemplated thereunder as set out in the circular of the Company dated 20 September 2024; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the EPC Contract for 35kV and Above Project.
6. To consider and, if thought fit, approve the EPC Contract for Automation Engineering Project and the transactions contemplated thereunder as set out in the circular of the Company dated 20 September 2024; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the EPC Contract for Automation Engineering Project.
7. To consider and, if thought fit, approve the Construction Supervision Contract and the transactions contemplated thereunder as set out in the circular of the Company dated 20 September 2024; and to authorise any Director to exercise all powers which they consider necessary and do such other acts and things and execute such other documents which in their opinion may be necessary or desirable to implement the transactions contemplated under the Construction Supervision Contract.

By order of the Board

Sichuan Energy Investment Development Co., Ltd.*

He Jing

Chairman

Chengdu, Sichuan Province, the PRC

20 September 2024

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

Notes:

1. Details of the above resolutions are set out in the circular of the Company dated 20 September 2024.
2. In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 7 October 2024 to Thursday, 10 October 2024 (both days inclusive), during which period no transfer of the shares of the Company (the “**Shares**”) will be effected. In order to be qualified to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company’s registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares no later than 4:30 p.m. on Friday, 4 October 2024.
3. Shareholder(s) of the Company (the “**Shareholder(s)**”) who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not to be a Shareholder.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
5. In order to be valid, the proxy form must be deposited to the H share registrar of the Company, namely Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by holders of H Shares, or to the Company’s registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares not less than 24 hours before the time for holding the EGM (i.e. before 10:00 a.m. on Wednesday, 9 October 2024). If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should you so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of Shares held when attending the EGM. If a corporate Shareholder appoints an authorised representative to attend the EGM, the authorised representative shall produce his/her identity documents and a notarially certified copy of the relevant authorisation instrument signed by the Board of Directors or other authorised parties of the corporate Shareholder or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
7. Shareholders who intend to attend the EGM should complete and return the reply slip in writing by hand or by post to the Company’s H share registrar (for holders of H Shares), or to the Company’s registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC (for holders of Domestic Shares) on or before Wednesday, 2 October 2024.
8. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
9. 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 of the general meeting, 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. As such, the chairman of the general meeting will also demand that all the resolutions proposed at the general meeting will be voted on by way of poll in registered form.
10. The EGM is expected to be held for less than half a day. Shareholders who intend to attend the EGM shall arrange and bear their own transportation and accommodation expenses.

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

11. The name and address of the Company's H Share registrar is as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre.
16 Harcourt Road,
Hong Kong
Tel: +852 29801333
Fax: +852 28108185

12. The address of registered office of the Company in the PRC is as follows:

No. 789, Renhe Road,
Wenjiang District, Chengdu City, Sichuan Province,
the PRC
Tel: +86 (28) 86299666
Fax: +86 (28) 86299666

As at the date of this notice, the executive Directors are Mr. He Jing, Mr. Wang Yuanchun and Ms. Xie Peixi; the non-executive Directors are Ms. Han Chunhong, Mr. Tao Xueqing, Mr. Gao Bin, Mr. Kong Ce and Mr. Zhao Gen; and the independent non-executive Directors are Mr. Siu Chi Hung, Mr. Chen Chuan, Mr. Mou Yingshi, Prof. Li Jian and Ms. He Yin.

* *For identification purposes only*