
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO**
(a) EPC CONTRACT FOR 10KV AND BELOW PROJECT;
(b) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(c) CONSTRUCTION SUPERVISION CONTRACT; AND
(d) EPC CONTRACT FOR 35KV AND ABOVE PROJECT;
(2) PROPOSED APPOINTMENT OF SUPERVISOR;
AND
(3) NOTICE OF THE 2023 SECOND EXTRAORDINARY GENERAL MEETING

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



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 No.778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on Tuesday, 25 July 2023 are set out on pages EGM-1 to EGM-3 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 Monday, 24 July 2023) 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.

6 July 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	34
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	36
APPENDIX – GENERAL INFORMATION	75
NOTICE OF THE 2023 SECOND EXTRAORDINARY GENERAL MEETING	EGM-1

DEFINITIONS

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

“10kV and Below Project”	2022 Rural Power Grid Consolidation and Improvement Engineering 10kV and Below Project, which forms part of the Rural Power Grid Consolidation and Improvement Project
“35kV and Above Project”	2022 Rural Power Grid Consolidation and Improvement Engineering 35kV and Above Project, which forms part of the Rural Power Grid Consolidation and Improvement Project
“2022 Rural Power Grid Contracts”	the EPC Contract for 10kV and Below Project, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the EPC Contract for 35kV and Above Project
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 for 10kV and Below Project entered into among the Implementation Units, Hydropower Group and Showsolid International on 21 April 2023
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“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 No.778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on Tuesday, 25 July 2023 by the Company to consider and, if thought fit, approve the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder and the proposed appointment of a Supervisor

DEFINITIONS

“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 Contract for 10kV and Below Project”	the EPC contract for 10kV and Below Project entered into by, among others, the Implementation Units, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Consolidated Energy on 21 April 2023
“EPC Contract for 35kV and Above Project”	the EPC contract for 35kV and Above Project entered into among Hydropower Group, Sichuan Energy Yibin Electricity Engineering, Xingneng Hydropower, Xuzhou Electricity and Zizhong Longyuan on 21 April 2023
“Equipment and Materials Procurement Contract”	the equipment and materials procurement contract for 10kV and Below Project entered into by, among others, the Implementation Units, Hydropower Group and Materials Industry Group on 21 April 2023
“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 on 30 January 1996 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 on 29 December 1994 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 on 17 December 2004 and one of the controlling shareholders of the Company
“Implementation Units”	Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Board (which comprises Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wan Peng, Prof. Li Jian and Ms. He Yin, all of them are independent non-executive Directors) established to advise the Independent Shareholders in respect of the connected transactions contemplated under the 2022 Rural Power Grid Contracts
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry out 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 connected transactions contemplated under the 2022 Rural Power Grid Contracts
“Independent Shareholder(s)”	Shareholders who are not interested in the 2022 Rural Power Grid Contracts and are not required under the Listing Rules to abstain from voting on the resolutions to approve the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder at the EGM
“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 on 21 May 2012 and a wholly-owned subsidiary of the Company
“Latest Practicable Date”	28 June 2023, 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
“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 on 16 April 2013, a wholly-owned subsidiary of Energy Investment Group and a connected person of the Company
“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 on 30 July 2008 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
“Rural Power Grid Consolidation and Improvement Project”	2022 Rural Power Grid Consolidation and Improvement Engineering Project, which comprises the 10kV and Below Project, 35kV and Above Project and other main transformer expansion projects for electrical substations

DEFINITIONS

“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
“Showsolid International”	Showsolid International Engineering Consulting Group Co., Ltd.* (首盛國際工程諮詢集團有限公司), a limited liability company established in the PRC on 22 August 2001
“Sichuan Development Co.”	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司), a wholly 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 on 13 May 2016, 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 on 3 March 2006, a direct subsidiary of Energy Investment Group and a connected person of the Company
“Sichuan Energy Yibin Electricity Engineering”	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 company established in the PRC with limited liability on 5 November 1996 and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Xingneng Hydropwer”	Sichuan Province Xingneng Hydropower Design Co., Ltd.* (四川省興能水利電力設計有限公司), a limited liability company established in the PRC on 6 January 2005
“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 on 3 April 1998 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
“Zizhong Longyuan Electricity”	Sichuan Province Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd.* (四川省水電投資經營集團資中龍源電力有限公司), a limited liability company established in the PRC on 5 September 2005, a subsidiary of Hydropower Group and a connected person of the Company
“%”	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. Li Hui
Ms. Xie Peixi

Non-executive Directors:

Ms. Han Chunhong
Mr. Tao Xueqing
Ms. Liang Hong
Ms. Lv Yan
Mr. Kong Ce

Independent Non-executive Directors:

Mr. Kin Kwong Kwok Gary
Ms. He Zhen
Mr. Wang Peng
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

6 July 2023

To the Shareholders

Dear Sir/Madam,

- (1) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO**
(a) EPC CONTRACT FOR 10KV AND BELOW PROJECT;
(b) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(c) CONSTRUCTION SUPERVISION CONTRACT; AND
(d) EPC CONTRACT FOR 35KV AND ABOVE PROJECT;
(2) PROPOSED APPOINTMENT OF SUPERVISOR;
AND
(3) NOTICE OF THE 2023 SECOND EXTRAORDINARY GENERAL MEETING

LETTER FROM THE BOARD

1. INTRODUCTION

References are made to (i) the announcement of the Company dated 21 April 2023 in relation to, among others, the (1) EPC Contract for 10kV and Below Project; (2) Equipment and Materials Procurement Contract; (3) Construction Supervision Contract; and (4) EPC Contract for 35kV and Above Project; and (ii) the announcement of the Company dated 30 May 2023 in relation to, among other things, the proposed appointment of a Supervisor.

On 21 April 2023, after trading hours, the Implementation Units (all of which are wholly-owned subsidiaries of the Company) entered into (1) the EPC Contract for 10kV and Below Project with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Consolidated Energy, pursuant to which Sichuan Energy Construction and Sichuan Energy Consolidated Energy agreed to provide engineering, procurement and construction services for the 10kV and Below Project; (2) 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; and (3) the Construction Supervision Contract with Hydropower Group and Showsolid International, pursuant to which, Showsolid International agreed to provide construction supervision service for the Rural Power Grid Consolidation and Improvement Project. Sichuan Energy Yibin Electricity Engineering and Xuzhou Electricity (both are wholly-owned subsidiaries of the Company) entered into the EPC Contract for 35kV and Above Project with Hydropower Group, Xingneng Hydropower and Zizhong Longyuan Electricity, pursuant to which, Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower agreed to provide engineering, procurement and construction services for the 35kV and Above Project.

The purposes of this circular are to provide you with, among other things, (i) a letter from the Board containing further information of the EPC Contract for 10kV and Below Project, the Equipment and Materials Procurement Contract, the Construction Supervision Contract, and the EPC Contract for 35kV and Above Project 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; (iv) the proposed appointment of a Supervisor; and (v) the notice of EGM and other information as required under the Listing Rules.

LETTER FROM THE BOARD

2. THE 2022 RURAL POWER GRID CONTRACTS

2.1 THE EPC CONTRACT FOR 10KV AND BELOW PROJECT

On 21 April 2023, after trading hours, the Implementation Units entered into the EPC Contract for 10kV and Below Project with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Consolidated Energy. The principal terms of the EPC Contract for 10kV and Below Project are set out below:

Date:	21 April 2023 (after trading hours)
Parties:	(1) Xuzhou Electricity; (2) Gao County Electricity; (3) Gong County Electricity; (4) Junlian Electricity; (5) Pingshan Electricity; (6) Xingwen Electricity; (7) Other Implementation Units; (8) Hydropower Group (as principal); (9) Sichuan Energy Construction (as contractor); and (10) Sichuan Energy Consolidated Energy (as contractor).
Project:	the 10kV and Below Project
Scope of service:	Survey, design, construction and equipment and materials procurement
Construction period:	264 calendar days

LETTER FROM THE BOARD

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 Implementation Units and Other Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other 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 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Period of warranty: 24 months commencing from the issuance of project delivery certificate

Total estimated contract price: RMB556,200,807 (tax inclusive) which comprises (i) the survey and design fee of RMB34,692,754 (tax inclusive); (ii) the construction fee of RMB517,810,946 (tax inclusive); and (iii) the materials fee of RMB3,697,107 (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 RMB556,200,807 (tax inclusive), it is envisaged that the Implementation Units shall share and be responsible for the payment of RMB154,773,350 (tax inclusive) (for details, please refer to the paragraph headed "2.5 Allocation arrangement of contract price payable" in this circular below). Based on the Company's past experience and estimation, the final settlement amount shall not be more than 10% of the estimated contract price.

LETTER FROM THE BOARD

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Energy Construction and Sichuan Energy Consolidated Energy in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 21 days. A total of three bidding proposals from three bidders were received by Hydropower Group (comprising one submitted by Sichuan Energy Construction and Sichuan Energy Power and two from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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 construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Sichuan Energy Construction and Sichuan Energy Power) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Sichuan Energy Construction and Sichuan Energy Power scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

LETTER FROM THE BOARD

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 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 90% of the total survey and design fee after completion and acceptance of the project.

Up to 97% of the total survey and design fee 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 warranty period.

LETTER FROM THE BOARD

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 90% 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 warranty period.

Materials fee

Up to 90% of the total materials fee based on the actual amount of materials supplied.

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

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

The remaining 3% of the total 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 warranty period.

LETTER FROM THE BOARD

2.2 THE EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT

On 21 April 2023, after trading hours, the 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:** 21 April 2023 (after trading hours)
- Parties:**
- (1) Xuzhou Electricity;
 - (2) Gao County Electricity;
 - (3) Gong County Electricity;
 - (4) Junlian Electricity;
 - (5) Pingshan Electricity;
 - (6) Xingwen Electricity;
 - (7) Other Implementation Units;
 - (8) Hydropower Group (as principal); and
 - (9) Materials Industry Group (as contractor).
- Project:** the 10kV and Below Project
- Scope of service:** Equipment and materials procurement
- 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;

LETTER FROM THE BOARD

3. the rural power grid investment contract among Hydropower Group, the Implementation Units and Other Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other 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 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Period of warranty: 12 months (commencing from the commissioning of the project) or 18 months (commencing from the delivery of products) unless otherwise specified under national and/or industrial standard and regulations.

Estimated contract price: RMB550,528,455.16 (tax inclusive) (out of which the Implementation Units shall share and be responsible for the payment of RMB152,450,790.20 (tax inclusive)), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group (for details, please refer to the paragraph headed "2.5 Allocation arrangement of contract price payable" in this circular below). Based on the Company's past experience and estimation, the final settlement amount shall not be more than 5% of the estimated contract price.

LETTER FROM THE BOARD

Pricing:

The estimated contract price was the successful tender price offered by Materials Industry Group in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 21 days. A total of three bidding proposals from three bidders were received by Hydropower Group (comprising one submitted by Materials Industry Group and two from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Materials Industry Group) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Materials Industry Group scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

LETTER FROM THE BOARD

- 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 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 (with the remaining 30% of the estimated contract price being settled by the aforesaid advance payment and remaining 3% of the estimated contract price being retained as quality warranty (as detailed below)) ; 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 there is no event of default.

2.3 THE CONSTRUCTION SUPERVISION CONTRACT

On 21 April 2023, after trading hours, the Implementation Units entered into the Construction Supervision Contract with Hydropower Group and Showsolid International. The principal terms of the Construction Supervision Contract are set out below:

- Date:** 21 April 2023 (after trading hours)
- Parties:**
- (1) Xuzhou Electricity;
 - (2) Gao County Electricity;
 - (3) Gong County Electricity;
 - (4) Junlian Electricity;
 - (5) Pingshan Electricity;
 - (6) Xingwen Electricity;
 - (7) Hydropower Group (as principal); and
 - (8) Showsolid International (as supervisor).

LETTER FROM THE BOARD

- Project:** the Rural Power Grid Consolidation and Improvement Project
- Scope of service:** Construction supervision
- 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 between Hydropower Group and the Implementation Units having been executed and become effective;
 4. the self-financed funds (if any) of the 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 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.
- Period of warranty:** 12 months
- Estimated contract price:** RMB4,187,986 (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 shall not be more than 5% of the estimated contract price.

LETTER FROM THE BOARD

Pricing:

The estimated contract price was the successful tender price offered by Showsolid International in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 21 days. A total of ten bidding proposals from ten bidders were received by Hydropower Group (comprising one submitted by Showsolid International and nine from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Showsolid International) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Showsolid International scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

LETTER FROM THE BOARD

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

Advance payments:

15% of the estimated contract price as advance payments within 14 days upon approval by the 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, 40% of the advance payments shall be credited into each subsequent progress payment until the entire advance payments are credited.

Progress payments and quality warranty:

- (i) up to 80% of the contract price based on the actual amount of construction work completed every two months;
- (ii) up to 97% of the contract price after settlement and audit, delivery of all supervision materials and execution of project delivery certificate; and
- (iii) the remaining 3% of the contract price shall be retained as quality warranty and payable after the expiry of the warranty period.

LETTER FROM THE BOARD

2.4 THE EPC CONTRACT FOR 35KV AND ABOVE PROJECT

On 21 April 2023, after trading hours, Sichuan Energy Yibin Electricity Engineering and Xuzhou Electricity entered into the EPC Contract for 35kV and Above Project with Hydropower Group, Xingneng Hydropower and Zizhong Longyuan Electricity. The principal terms of the EPC Contract for 35kV and Above Project are set out below:

- Date:** 21 April 2023 (after trading hours)
- Parties:**
- (1) Xuzhou Electricity (as implementation unit);
 - (2) Zizhong Longyuan Electricity (as implementation unit);
 - (3) Hydropower Group (as principal);
 - (4) Sichuan Energy Yibin Electricity Engineering (as contractor); and
 - (5) Xingneng Hydropower (as contractor).
- Project:** the 35kV and Above Project
- Scope of service:** Survey, design, construction and equipment and materials procurement
- Construction period:** 264 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, Xuzhou Electricity and Zizhong Longyuan Electricity having been executed and become effective;

LETTER FROM THE BOARD

4. the self-financed funds (if any) of Xuzhou Electricity and Zizhong Longyuan Electricity 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 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Period of warranty: 24 months commencing from the issuance of project delivery certificate

Total estimated contract price: RMB32,943,497 (tax inclusive) which comprises (i) the survey and design fee of RMB1,174,628 (tax inclusive); (ii) the construction and installation fee of RMB11,319,166 (tax inclusive); and (iii) the equipment procurement fee of RMB20,449,703 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the said estimated total contract price of RMB32,943,497 (tax inclusive), it is envisaged that (i) Sichuan Energy Yibin Electricity Engineering as one of the contractors, will receive RMB31,768,869 (tax inclusive) for the services to be rendered; and (ii) Xuzhou Electricity as one of the implementation units, shall share and be responsible for the payment of RMB16,276,100 (tax inclusive) (for details, please refer to the paragraph headed "2.5 Allocation arrangement of contract price payable" in this circular below). Based on the Company's past experience and estimation, the final settlement amount shall not be more than 10% of the estimated contract price.

LETTER FROM THE BOARD

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 27 days. A total of six bidding proposals from six bidders were received by Hydropower Group (comprising one submitted by Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower and five from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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 construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

LETTER FROM THE BOARD

The tender price offered was determined by the design institute of Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower 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:

Advance payments:

15% of the total estimated contract price as advance payments within 14 days upon approval by the 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.

Progress payments and quality warranty:

- (i) up to 80% of the total contract price based on 80% of the actual amount of the construction work completed each month;
- (ii) up to 90% of the total contract price after completion and acceptance of the project;
- (iii) up to 97% of the total contract price after settlement and audit; and
- (iv) the remaining 3% of the total contract price shall be retained as quality warranty and payable (without interests) upon verification of completion of defect liability after the expiry of warranty period.

LETTER FROM THE BOARD

2.5 ALLOCATION ARRANGEMENT OF CONTRACT PRICE PAYABLE

As detailed above, the Group is responsible for the payment of (i) RMB154,773,350 (tax inclusive) out of the total contract sum of RMB556,200,807 (tax inclusive) under the EPC Contract for 10kV and Below Project; (ii) RMB152,450,790.20 (tax inclusive) out of the total contract sum of RMB550,528,455.16 (tax inclusive) under the Equipment and Materials Procurement Contract; and (iii) RMB16,276,100 (tax inclusive) out of the total contract sum of RMB32,943,497 (tax inclusive) under the EPC Contract for 35kV and Above Project.

The EPC Contract for 10kV and Below Project and Equipment and Materials Procurement Contract both cover the same 25 counties (city, district) in the PRC, including Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County which the Group (in the capacity as the implementation units) is responsible for the works of the projects thereat (as further detailed below). On the other hand, the EPC Contract for 35kV and Above Project cover four counties (city, district) in the PRC, including Xuzhou District and Cuiping District, which the Group (in the capacity as the implementation unit) is responsible for the works of the projects thereat (as further detailed below).

Generally, based on the parties' agreed work allocation arrangement, each of the implementation units under the EPC Contract for 10kV and Below Project, Equipment and Materials Procurement Contract and the EPC Contract for 35kV and Above Project (collectively the "Contracts") would be responsible for the part of the projects conducted in the counties 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, Junlian County, Pingshan County, Xingwen County and/or Cuiping District, 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 Contract 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).

2.6 REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 RURAL POWER GRID CONTRACTS

According to the Approval of the Sichuan Province Development and Reform Commission on the Sichuan Province Hydropower Group Investment and Management Group Co., Ltd. 2022 Rural Power Grid Consolidation and Improvement Project Feasibility Study Report (Chuan Fa Gai Neng Yuan [2022] No. 237) (《四川省發展改革委員會關於四川省水電投資經營集團有限公司2022年農村電網鞏固提升工程項目可行性研究報告的批覆(川發改能源[2022]237號)》), Hydropower Group shall be responsible for the unified organization and implementation of the 2022 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 2022 Rural Power Grid Contracts. The implementation of the 2022 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 BOARD

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 2022 Rural Power Grid Contracts) are of the view that the 2022 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. When considering the term of 3% of total estimated contract price as quality warranty under each of the 2022 Rural Power Grid Contracts, the Directors note that the rate is consistent with the general industry practice, and is in compliance with the requirement set out under the “Notice of the Ministry of the Housing and Urban-Rural Development and the Ministry of Finance on the publication of the measures for the administration of quality warranty funds for construction projects (住房城鄉建設部財政部關於印發建設工程質量保證金管理辦法的通知)” promulgated by the Ministry of Housing and Urban-Rural Development and the Ministry of Finance of the PRC, which limit the maximum amount of warranty fund to be no more than 3% of the total contract price.

As Mr. He Jing, Mr. Li Hui and Ms. Xie Peixi are the Directors nominated by Hydropower Group, they have abstained from voting on the Board resolutions to approve the 2022 Rural Power Grid Contracts voluntarily. Save and except for the aforesaid, none of the Directors has any material interest in the 2022 Rural Power Grid Contracts and was required to abstain from voting on the Board resolutions in relation to the 2022 Rural Power Grid Contracts.

2.7 LISTING RULES IMPLICATIONS

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 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 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.

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 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 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

Construction Supervision Contract

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company. Accordingly, Hydropower Group is a connected person 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.

EPC Contract for 35KV and above Project

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company. Zizhong Longyuan Electricity is a direct subsidiary of Hydropower Group and therefore an associate of Hydropower Group. Accordingly, Hydropower Group and Zizhong Longyuan Electricity 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.

Since all applicable percentage ratios in respect of the transactions contemplated under the 2022 Rural Power Grid Contracts on an aggregated basis (i) exceed 5% but below 25%, the transactions contemplated thereunder constitute discloseable transactions of the Company which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) exceed 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 and the EPC Contract for 35kV and Above Project shall not be more than 10% of the total estimated contract price and the estimated maximum final settlement price for the Equipment and Materials Procurement Contract and the Construction Supervision Contract shall not be more than 5% of the estimated contract price. If the actual final settlement price of the 2022 Rural Power Grid Contracts exceeds the estimated maximum final settlement price, the Company will make relevant announcement(s) in due course and fulfill the relevant requirements under the Listing Rules (if applicable).

LETTER FROM THE BOARD

2.8 INFORMATION OF THE 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.

Xuzhou Electricity

Xuzhou Electricity is a limited liability company established on 18 June 2012 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 on 30 January 1996 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 on 29 December 1994 and a wholly-owned subsidiary of the Company and engaged in power generation and supply.

Junlian Electricity

Junlian Electricity a limited liability company established on 21 May 2012 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 on 30 July 2008 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 on 3 April 1998 and a wholly-owned subsidiary of the Company and engaged in power supply and production and sale of electrical equipment.

LETTER FROM THE BOARD

Hydropower Group

Hydropower Group is 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)).

Energy Investment Group is wholly-owned by Sichuan Development Co., which is in turn owned by the People's Government of Sichuan Province.

Sichuan Energy Construction

Sichuan Energy Construction is a limited liability company established in the PRC on 3 March 2006 and a direct subsidiary of Energy Investment Group. 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 on 13 May 2016, 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

Materials 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.

Showsolid International

Showsolid International is a limited liability company established in the PRC on 22 August 2001 and is owned as to 95% and 5% by Wang Bin (王斌) and Hu Jing (胡靜), respectively. The primary business of Showsolid International is construction supervision. To the best of the Directors' knowledge information and belief after making all reasonable enquiries, Showsolid International and its ultimate beneficial owners are third parties independent from the Company and its connected person(s).

LETTER FROM THE BOARD

Sichuan Energy Yibin Electricity Engineering

Sichuan Energy Yibin Electricity Engineering is a limited liability company established in the PRC on 5 November 1996 and a wholly-owned subsidiary of the Company. It is primarily engaged in inspection and maintenance of transformer substations, hydropower stations and electricity transmission lines.

Xingneng Hydropower

Xingneng Hydropower is a limited liability company established in the PRC on 6 January 2005 and is owned as to 60% and 40% by Sichuan Shengruifeng Engineering Construction Management Co., Ltd.* (四川晟瑞豐工程建設管理有限公司) (“**Sichuan Shengruifeng**”) and Sichuan Huaruize Enterprise Management Co., Ltd.* (四川華睿澤企業管理有限公司) (“**Sichuan Huaruize**”).

Sichuan Shengruifeng is owned as to 62% and 38% by Sichuan Shengzhichang Enterprise Management and Consulting Co., Ltd.* (四川晟智昌企業管理諮詢有限公司) and Sichuan Xiangsheng Xinrui Enterprise Management Centre (Limited Partnership)* (四川祥晟鑫瑞企業管理中心(有限合夥)), respectively, which are in turn ultimately owned by Wang Xiaoxiang (汪曉祥).

Sichuan Huaruize is owned as to 70% by Sichuan Huiyuanjia Construction Engineering Co., Ltd.* (四川滙元嘉建設工程有限公司), which is in turn ultimately owned by Wang Xiaoxiang (汪曉祥), and 30% by Wang Jiayu (汪家宇), respectively.

To the best of the Directors’ knowledge information and belief after making all reasonable enquiries, Xingneng Hydropower and its ultimate beneficial owners are third parties independent from the Company and its connected person(s).

Zizhong Longyuan Electricity

Zizhong Longyuan Electricity is a limited liability company established in the PRC on 5 September 2005 and a subsidiary of Hydropower Group. Zizhong Longyuan Electricity is principally engaged in power generation and supply.

LETTER FROM THE BOARD

Other Implementation Units

Other Implementation Units comprise Dazhou Electricity Group Co., Ltd.* (達州電力集團有限公司), Sichuan Hydropower Group Dazhu Electricity 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 Electricity 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 Qu County Electricity 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 Wanyuan City Longyuan Electricity 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 Guang'an Aaa Public Co., Ltd.* (四川廣安愛眾股份有限公司), Sichuan Yuechi Aizhong Electricity Co., Ltd.* (四川省岳池愛眾電力有限公司), Sichuan Hydropower Investment and Management Group Yong'an Electricity Co., Ltd.* (四川省水電投資經營集團永安電力股份有限公司), Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd.* (四川省水電投資經營集團普格電力有限公司), Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd.* (四川省水電投資經營集團美姑電力有限公司), Sichuan Hydropower Group Jinyang Electricity Co., Ltd.* (四川省水電集團金陽電力有限公司), Sichuan Zhaojue Electricity Co., Ltd.* (四川昭覺電力有限責任公司), Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd.* (四川省水電投資經營集團德格格薩爾電力有限公司), Luzhou Yuyu Electricity Co., Ltd.* (瀘州玉宇電力有限責任公司), Zizhong Longyuan Electricity, Sichuan Pingwu Electricity (Group) Co., Ltd.* (四川省平武電力(集團)有限公司) and Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd.* (四川省水電投資經營集團青川電力有限公司), all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group (“**Other Implementation Units**”).

3. PROPOSED APPOINTMENT OF SUPERVISOR

Reference is made to the Company's announcement dated 30 May 2023. An ordinary resolution will be proposed at the EGM to consider and approve the appointment of Ms. Sun Hui (孫會) (“**Ms. Sun**”) as a Supervisor to fill the vacancy arising from the resignation of Mr. Huang Yao (黃耀) as a Supervisor.

The biographical details of Ms. Sun are set out below:

Ms. Sun Hui (孫會), aged 28, graduated from Bazhong Vocational and Technical College with tertiary education qualification majoring in accounting and auditing in June 2016.

Ms. Sun was an office clerk for the Junlian County People's Government (筠連鎮人民政府) between January 2017 and January 2020. Ms. Sun then worked as the office clerk for Julian County Bureau of Economy and Information Technology and Science Technology* (筠連縣經濟商務信息化和科學技術局) between February 2020 and April 2020. Ms. Sun then worked under the general management department of Junlian County State-owned Capital Investment Operation Co., Ltd.* (筠連縣國有資本投資運營有限責任公司) between May 2020 and January 2022. Ms. Sun subsequently joined the Party-masses and human resource department of Julian Development Holding Group Limited* (筠連發展控股集團有限公司) in February 2022 and is currently serving as the deputy director of the same department.

LETTER FROM THE BOARD

The proposed appointment of Ms. Sun as a Supervisor will be subject to approval by the Shareholders at the EGM and shall take effect from the date of the EGM and end at the expiry of the term of the fourth session of the supervisory committee of the Company (the “**Supervisory Committee**”). Ms. Sun will not receive any Supervisor’s remuneration for her service as a Supervisor.

Upon the appointment of Ms. Sun as a Supervisor being approved by the Shareholders, she will mainly be responsible for monitoring and supervising the operational and financial activities of the Company.

To the best knowledge of the Board and the Supervisory Committee, saved as disclosed above, Ms. Sun did not hold any other positions in the Company or any of its subsidiaries, or hold any directorships in any other listed companies in the last three years. Ms. Sun does not have any relationship with any Director, Supervisor, senior management or substantial Shareholders of the Company, nor does she have or is deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO.

As at the Latest Practicable Date, save as disclosed above, the Board is not aware of any other matters in relation to the appointment of Ms. Sun that need to be brought to the attention of the Shareholders or any information that need to be disclosed pursuant to the requirement of Rule 13.51(2)(h) to (v) of the Listing Rules.

4. THE EGM

The EGM will be held at No.778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on Tuesday, 25 July 2023 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 dispatched to the Shareholders in accordance with the Listing Rules on Thursday, 6 July 2023.

Hydropower Group is owned as to approximately 77.74% by Energy Investment Group, which is in turn wholly-owned by Sichuan Development Co.. Energy Investment Group is the holding company of Sichuan Energy Construction and Materials Industry 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 2022 Rural Power Grid Contracts and therefore will abstain from voting on the resolutions in relation to the 2022 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 2022 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 Monday, 17 July 2023.

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.

5. 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.

6. 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 2022 Rural Power Grid Contracts and the transactions contemplated thereunder. In addition, the Company has appointed Lego Corporate Finance 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 2022 Rural Power Grid Contracts and the transactions contemplated thereunder, which is set out on pages 36 to 74 of this circular, the Independent Board Committee is of the opinion that the 2022 Rural Power Grid Contracts are in the ordinary and usual course of the Group's business, and the transactions contemplated thereunder 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 2022 Rural Power Grid Contracts and the transactions contemplated are in the ordinary and usual course of the Group's business, and the transactions contemplated thereunder 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 2022 Rural Power Grid Contracts and the Shareholders to vote in favour of the ordinary resolution in respect of the proposed appointment of Supervisor to be proposed at the EGM.

LETTER FROM THE BOARD

7. ADDITIONAL INFORMATION

Your attention is drawn to the additional information included in the appendix 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)

6 July 2023

To the Independent Shareholders

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO
(1) EPC CONTRACT FOR 10KV AND BELOW PROJECT;
(2) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(3) CONSTRUCTION SUPERVISION CONTRACT;
AND
(4) EPC CONTRACT FOR 35KV AND ABOVE PROJECT

Dear Sir or Madam,

We refer to the circular of the Company dated 6 July 2023 (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 EPC Contract for 10KV and Below Project, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the EPC Contract for 35kV and Above Project and the transactions contemplated thereunder.

We wish to draw your attention to the letter from Independent Financial Adviser set out on pages 36 to 74 of the Circular and the letter from the Board set out on pages 6 to 33 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by Lego Corporate Finance, the Independent Financial Adviser, regarding the EPC Contract for 10KV and Below Project, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the EPC Contract for 35kV and Above Project and its conclusion and advice, we concur with the view of the Independent Financial Adviser and consider that the EPC Contract for 10KV and Below Project, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the EPC Contract for 35kV and Above Project are in the ordinary and usual course of the Group's business, and the transactions contemplated thereunder 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 EPC Contract for 10KV and Below Project, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the EPC Contract for 35kV and Above Project to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Kin Kwong Kwok Gary	He Zhen	Wang Peng	Li Jian	He Yin
<i>Independent Non-Executive Director</i>	<i>Independent Non-Executive Director</i>	<i>Independent Non-Executive Director</i>	<i>Independent Non-Executive Director</i>	<i>Independent Non-Executive Director</i>

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder.



6 July 2023

*To the Independent Board Committee and the Independent Shareholders of Sichuan Energy Investment Development Co. Ltd.**

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO
(a) EPC CONTRACT FOR 10KV AND BELOW PROJECT;
(b) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(c) CONSTRUCTION SUPERVISION CONTRACT; AND
(d) EPC CONTRACT FOR 35KV AND ABOVE PROJECT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 6 July 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 21 April 2023 (the “**Announcement**”) in respect of, among others, the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 21 April 2023, after trading hours, the Implementation Units (all of which are wholly-owned subsidiaries of the Company) entered into (i) the EPC Contract for 10kV and Below Project with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Consolidated Energy, pursuant to which Sichuan Energy Construction and Sichuan Energy Consolidated Energy agreed to provide engineering, procurement and construction services for the 10kV and Below Project; (ii) 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; and (iii) the Construction Supervision Contract with Hydropower Group and Showsolid International, pursuant to which, Showsolid International agreed to provide construction supervision service for the Rural Power Grid Consolidation and Improvement Project. Sichuan Energy Yibin Electricity Engineering and Xuzhou Electricity (both are wholly-owned subsidiaries of the Company) entered into the EPC Contract for 35kV and Above Project with Hydropower Group, Xingneng Hydropower and Zizhong Longyuan Electricity, pursuant to which, Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower agreed to provide engineering, procurement and construction services for the 35kV and Above Project.

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain Other Implementation Units are associates of Hydropower Group.

As at the Latest Practicable Date, (i) Sichuan Energy Construction is a direct subsidiary of; and (ii) Materials Industry Group is a wholly-owned subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company.

As at the Latest Practicable Date, (i) Sichuan Energy Consolidated Energy is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company; and (ii) Zizhong Longyuan Electricity is a direct subsidiary of Hydropower Group and therefore an associate of Hydropower Group.

Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Materials Industry Group, Zizhong Longyuan Electricity and certain Other Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the 2022 Rural Power Grid Contracts constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Since all applicable percentage ratios in respect of the transactions contemplated under the 2022 Rural Power Grid Contracts on an aggregated basis (i) exceed 5% but below 25%, the transactions contemplated thereunder constitute discloseable transactions of the Company which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) exceed 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.

An EGM will be convened for Independent Shareholders to consider, and if thought fit, approve the 2022 Rural Power Grid Contracts and connected transactions contemplated thereunder. As Mr. He Jing, Mr. Li Hui and Ms. Xie Peixi are the Directors nominated by Hydropower Group, they have abstained from voting on the Board resolutions to approve the 2022 Rural Power Grid Contracts voluntarily. Save and except for the aforesaid, none of the Directors has any material interest in the 2022 Rural Power Grid Contracts and was required to abstain from voting on the relevant Board resolutions in relation to the 2022 Rural Power Grid Contracts.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng, Prof. Li Jian and Ms. He Yin, has been established to advise the Independent Shareholders as to whether the terms of the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution(s) to be proposed at the EGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, other than the engagement as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of (i) the engineering, procurement and construction contract and the transactions contemplated thereunder as stated in the circular of the Company dated 9 July 2021; and (ii) the engineering, procurement and construction contract, the equipment and materials procurement contract, the construction supervision contract and automation engineering, procurement and construction contract and the transactions contemplated thereunder as stated in the circular of the Company dated 30 March 2022, there was no other engagement between the Group and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company; (iii) the opinions expressed by and the representations of the Directors and the management of the Company (“**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the parties to the 2022 Rural Power Grid Contracts or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background Information

(a) Information on the Parties

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.

Xuzhou Electricity

Xuzhou Electricity is a limited liability company established on 18 June 2012 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 on 30 January 1996 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 on 29 December 1994 and a wholly-owned subsidiary of the Company and engaged in power generation and supply.

Junlian Electricity

Junlian Electricity a limited liability company established on 21 May 2012 and a wholly-owned subsidiary of the Company and engaged in power supply service and the purchase and sale of power supply equipment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pingshan Electricity

Pingshan Electricity is a limited liability company established in the PRC on 30 July 2008 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 on 3 April 1998 and a wholly-owned subsidiary of the Company and engaged in power supply and production and sale of electrical equipment.

Hydropower Group

Hydropower Group is 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)).

Energy Investment Group is wholly-owned by Sichuan Development Co., which is in turn owned by the People's Government of Sichuan Province.

Sichuan Energy Construction

Sichuan Energy Construction is a limited liability company established in the PRC on 3 March 2006 and a direct subsidiary of Energy Investment Group. 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 on 13 May 2016, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Materials Industry Group

Materials 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.

Showsolid International

Showsolid International is a limited liability company established in the PRC on 22 August 2001 and is owned as to 95% and 5% by Wang Bin (王斌) and Hu Jing (胡靜), respectively. The primary business of Showsolid International is construction supervision. To the best of the Directors' knowledge information and belief after making all reasonable enquiries, Showsolid International and its ultimate beneficial owners are third parties independent from the Company and its connected person(s).

Sichuan Energy Yibin Electricity Engineering

Sichuan Energy Yibin Electricity Engineering is a limited liability company established in the PRC on 5 November 1996 and a wholly-owned subsidiary of the Company. It is primarily engaged in inspection and maintenance of transformer substations, hydropower stations and electricity transmission lines.

Xingneng Hydropower

Xingneng Hydropower is a limited liability company established in the PRC on 6 January 2005 and is owned as to 60% and 40% by Sichuan Shengruifeng Engineering Construction Management Co., Ltd.* (四川晟瑞豐工程建設管理有限公司) (“**Sichuan Shengruifeng**”) and Sichuan Huaruize Enterprise Management Co., Ltd.* (四川華睿澤企業管理有限公司) (“**Sichuan Huaruize**”).

Sichuan Shengruifeng is owned as to 62% and 38% by Sichuan Shengzhichang Enterprise Management and Consulting Co., Ltd.* (四川晟智昌企業管理諮詢有限公司) and Sichuan Xiangsheng Xinrui Enterprise Management Centre (Limited Partnership)* (四川祥晟鑫瑞企業管理中心(有限合夥)), respectively, which are in turn ultimately owned by Wang Xiaoxiang (汪曉祥).

Sichuan Huaruize is owned as to 70% by Sichuan Huiyuanjia Construction Engineering Co., Ltd.* (四川滙元嘉建設工程有限公司), which is in turn ultimately owned by Wang Xiaoxiang (汪曉祥), and 30% by Wang Jiayu (汪家宇), respectively.

To the best of the Directors' knowledge information and belief after making all reasonable enquiries, Xingneng Hydropower and its ultimate beneficial owners are third parties independent from the Company and its connected person(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zizhong Longyuan

Electricity Zizhong Longyuan Electricity is a limited liability company established in the PRC on 5 September 2005 and a subsidiary of Hydropower Group. Zizhong Longyuan Electricity is principally engaged in power generation and supply.

Other Implementation Units

Other Implementation Units comprise Dazhou Electricity Group Co., Ltd.* (達州電力集團有限公司), Sichuan Hydropower Group Dazhu Electricity 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 Electricity 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 Qu County Electricity 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 Wanyuan City Longyuan Electricity 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 Guangan Aaa Public Co., Ltd.* (四川廣安愛眾股份有限公司), Sichuan Yuechi Aizhong Electricity Co., Ltd.* (四川省岳池愛眾電力有限公司), Sichuan Hydropower Investment and Management Group Yongan Electricity Co., Ltd.* (四川省水電投資經營集團永安電力股份有限公司), Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd.* (四川省水電投資經營集團普格電力有限公司), Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd.* (四川省水電投資經營集團美姑電力有限公司), Sichuan Hydropower Group Jinyang Electricity Co., Ltd.* (四川省水電集團金陽電力有限公司), Sichuan Zhaojue Electricity Co., Ltd.* (四川昭覺電力有限責任公司), Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd.* (四川省水電投資經營集團德格格薩爾電力有限公司), Luzhou Yuyu Electricity Co., Ltd.* (瀘州玉宇電力有限責任公司), Zizhong Longyuan Electricity, Sichuan Pingwu Electricity (Group) Co., Ltd.* (四川省平武電力(集團)有限公司) and Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd.* (四川省水電投資經營集團青川電力有限公司), all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Reasons for and benefits for entering into the 2022 Rural Power Grid Contracts*

As disclosed in the Letter from the Board, according to the Approval of the Sichuan Province Development and Reform Commission on the Sichuan Province Hydropower Group Investment and Management Group Co., Ltd. 2022 Rural Power Grid Consolidation and Improvement Project Feasibility Study Report (Chuan Fa Gai Neng Yuan [2022] No. 237) (the “**2022 Approval**”) (《四川省發展改革委員會關於四川省水電投資經營集團有限公司2022年農村電網鞏固提升工程項目可行性研究報告的批覆》(川發改能源[2022] 237號)), Hydropower Group shall be responsible for the unified organization and implementation of the 2022 Rural Power Grid Consolidation and Improvement Project. As such, Hydropower Group conducted public tender in compliance with the requirements of the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations and finally determined the winning bidders of the 2022 Rural Power Grid Contracts. The implementation of the 2022 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.

In addition, according to the relevant requirements of the Approval of the General Office of the National Development and Reform Commission on Changing the Legal Person of Local Rural Power Grid Transformation Projects in Sichuan Province (Fa Gai Ban Neng Yuan [2008] No. 2237) (《國家發展改革委辦公廳關於變更四川地方電力農網改造等項目法人的批覆》(發改辦能源[2008]2237號)), the legal person of local rural power grid projects in Sichuan Province shall be Hydropower Group, which shall be responsible for the unified organisation and implementation of rural power grid projects. As such, the Hydropower Group conducted public tender and finally determined that the winning bidder for the survey, design, construction and equipment and materials procurement section of the 10kV and Below Project is a consortium consisting of Sichuan Energy Construction and Sichuan Energy Consolidated Energy; the winning bidder for the equipment and materials procurement section of 10kV and Below Project is Materials Industry Group; the winning bidder for the construction supervision section of the Rural Power Grid Consolidation and Improvement Project is Showsolid International; and the winning bidder for the survey, design, construction and equipment and materials procurement section of the 35kV and Above Project is a consortium consisting of Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower. The tendering process was in full compliance with the requirements of the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations.

Moreover, Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Materials Industry Group and Zizhong Longyuan Electricity are all well-known service providers in power infrastructure construction industry in the PRC. For instance, Sichuan Energy Construction has participated in the construction of the Company’s power grid projects for many times, whereas Sichuan Energy Consolidated Energy, Materials Industry Group and Zizhong Longyuan Electricity have also previously participated in the rural power grid projects of Hydropower Group, and all of them have the necessary qualifications and extensive industry experience. In light of their aforesaid previous cooperation with the Group and/or their qualifications and extensive experience in the industry and similar projects, the Company considered that these contractors are more familiar with the relevant requirements of the Company’s power construction projects, which can help to ensure the quality and duration of project construction and bring economic benefits to the Company as a result.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have conducted internet search on Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Materials Industry Group and Zizhong Longyuan Electricity and noted that they primarily engaged in, among other things, project planning, project investment, design and consulting, construction, operation, material procurement and supply in electricity and power generation construction. The Group has various experiences in cooperating with Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Materials Industry Group and Zizhong Longyuan Electricity in relation to similar construction projects previously commenced including the entering into of, among others, (i) the engineering, procurement and construction contract for Lianhua 220kV transformer substation construction project in Xingwen County in May 2021 with Sichuan Energy Construction; (ii) the engineering, procurement and construction contract for the 2021 Rural Power Grid Consolidation and Improvement Engineering 10kV or below project in December 2021 with Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Zizhong Longyuan Electricity; and (iii) the equipment and materials procurement contract for the 2021 Rural Power Grid Consolidation and Improvement Engineering 10kV or below project in December 2021 with Materials Industry Group and Zizhong Longyuan Electricity. We have obtained and reviewed the relevant previous contracts of the Group with Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Materials Industry Group and Zizhong Longyuan Electricity to understand their previous experience and scope of services.

As disclosed in the Letter from the Board, when considering the term of 3% of total estimated contract price as quality warranty under each of the 2022 Rural Power Grid Contracts, the Directors note that the rate is consistent with the general industry practice, and is in compliance with the requirement set out under the “Notice of the Ministry of the Housing and Urban-Rural Development and the Ministry of Finance on the publication of the measures for the administration of quality warranty funds for construction projects (住房城鄉建設部財政部關於印發建設工程質量保證金管理辦法的通知)” promulgated by the Ministry of Housing and Urban-Rural Development and the Ministry of Finance of the PRC, which limit the maximum amount of warranty fund to be no more than 3% of the total contract price.

The Directors (excluding the Directors who have abstained from voting on the Board resolutions to approve the 2022 Rural Power Grid Contracts) are of the view that the 2022 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.

Having considered the foregoing, in particular (i) that the Group has the responsibility and obligation to participate in the implementation of the Rural Power Grid Consolidation and Improvement Project; (ii) Sichuan Energy Construction, Sichuan Energy Consolidated Energy, Materials Industry Group and Zizhong Longyuan Electricity have extensive industry experience and are more familiar with the relevant requirements of the Company’s power construction projects based on the previous cooperation, which can help to ensure the quality and duration of project construction and bring economic benefits to the Company; and (iii) Sichuan Energy Construction, Sichuan Energy Consolidated Energy, and Materials Industry Group were one of the awardees through public tendering procedures which were fully complied with the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations, we are of the view that the entering into of the 2022 Rural Power Grid Contracts is in compliance with the 2022 Approval.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. THE 2022 RURAL POWER GRID CONTRACTS

A. The EPC Contract for 10kV and Below Project

The principal terms of the EPC Contract for 10kV and Below Project are set out below:

Date:	21 April 2023 (after trading hours)
Parties:	(1) Xuzhou Electricity; (2) Gao County Electricity; (3) Gong County Electricity; (4) Junlian Electricity; (5) Pingshan Electricity; (6) Xingwen Electricity; (7) Other Implementation Units; (8) Hydropower Group (as principal); (9) Sichuan Energy Construction (as contractor); and (10) Sichuan Energy Consolidated Energy (as contractor).
Project:	the 10kV and Below Project
Scope of service:	Survey, design, construction and equipment and materials procurement
Construction Period:	264 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. the rural power grid investment contract among Hydropower Group, the Implementation Units and Other Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other 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 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Period of warranty: 24 months commencing from the issuance of the project delivery certificate

Total estimated contract price: RMB556,200,807 (tax inclusive) which comprises (i) the survey and design fee of RMB34,692,754 (tax inclusive); (ii) the construction fee of RMB517,810,946 (tax inclusive); and (iii) the materials fee of RMB3,697,107 (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 RMB556,200,807 (tax inclusive), it is envisaged that the Implementation Units shall share and be responsible for the payment of RMB154,773,350 (tax inclusive) (for details, please refer to the paragraph headed "Allocation arrangement of contract price payable" below). Based on the Company's past experience and estimation, the final settlement amount shall not be more than 10% of the estimated contract price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Energy Construction and Sichuan Energy Consolidated Energy in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 21 days. A total of three bidding proposals from three bidders were received by Hydropower Group (comprising one submitted by Sichuan Energy Construction and Sichuan Energy Power and two from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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 construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Sichuan Energy Construction and Sichuan Energy Power) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Sichuan Energy Construction and Sichuan Energy Power scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

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 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 90% of the total survey and design fee after completion and acceptance of the project.

Up to 97% of the total survey and design fee 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 warranty 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 90% 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 warranty period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Materials fee

Up to 90% of the total materials fee based on the actual amount of materials supplied.

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

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

The remaining 3% of the total 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 warranty period.

Based on our discussion with the Management, we were given to understand that Hydropower Group conducted a public tender to select the contractor for the provision of engineering, procurement and construction services for the 10kV and Below Project. The relevant tender notice (the “**EPC for 10kV and Below Tender Notice**”) was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) at <http://ggzyjy.sc.gov.cn> on 24 August 2022. The tendering period was open for 21 days from 25 August 2022 to 16 September 2022. Upon the closing of the tender application, Hydropower Group received three bidding proposals (the “**EPC for 10kV and Below Bidding Proposals**”) from three bidders, of which one from the consortium consisting of Sichuan Energy Construction and Sichuan Energy Power (the “**EPC for 10kV and Below Consortium**”) and two from independent third parties.

For assessing the EPC for 10kV and Below Bidding Proposals submitted by all bidders, the evaluation panel (the “**EPC for 10kV and Below Evaluation Panel**”) was formed in accordance to the requirements of the Bid Evaluation Expert Database and Management Guidance* (評標專家庫及評標專家管理辦法) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As advised by the Management, the EPC Evaluation Panel 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) to avoid potential conflict of interest and three representatives of Hydropower Group. Such six tender evaluation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The EPC for 10kV and Below Evaluation Panel confirmed that three out of three of the EPC for 10kV and Below Bidding Proposals had fulfilled the requirements as set out in the EPC for 10kV and Below Tender Notice and related documents (the “**EPC for 10kV and Below Tender Documents**”). The evaluation criteria for the business aspects, which accounted for 60% of the evaluation, included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects, which accounted for 40% of the evaluation, included the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team to be engaged for the 10kV and Below Project.

A final comprehensive evaluation report for the provision of engineering, procurement and construction services for the 10kV and Below Project (the “**EPC for 10kV and Below Evaluation Report**”) prepared by the EPC for 10kV and Below Evaluation Panel was issued, of which the EPC for 10kV and Below Consortium was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by the EPC for 10kV and Below Consortium has scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the EPC for 10kV and Below Evaluation Report.

On 28 September 2022, Hydropower Group has notified the EPC for 10kV and Below Consortium was the successful bidder and the result was also announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平臺(四川省)》) at <http://ggzyjy.sc.gov.cn>.

We have reviewed the EPC for 10kV and Below Tender Documents and noted that the EPC for 10kV and Below Tender Documents set out the detailed and comprehensive information, including but not limited to the tendering procedure, the project scope, the required completion timing, the payment schedule, the required qualification of the bidders, the requirements and criteria on setting the bidding price, the assessment and selection criteria of the winning bidder. We have reviewed the EPC for 10kV and Below Bidding Proposals received by the Group from the bidders and noted that all the bidders have agreed the requirements and terms, including but not limited to payment terms and schedule stated in the EPC for 10kV and Below Tender Documents, which are consistent with the principal terms stated in the EPC for 10kV and Below Contract entered into with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Consolidated Energy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the payment terms of the EPC for 10kV and Below Contract, we have conducted research on the website of the Stock Exchange and identified seven notifiable and/or connected transactions in relation to the construction of structures and properties as announced by listed companies on the Stock Exchange from 21 March 2023 to 21 April 2023, being a period of approximately one month prior to and including the date of the Announcement for demonstrating recent market practices. Based on the aforementioned research, we noted the payment terms of all identified transactions were (i) by instalments based on the achievement of certain milestone or certain construction output; and (ii) 1.5% to 5% of the contract/service amounts shall be retained by owners of the underlying structure or property as quality assurance fund and shall be released to the contractors upon expiry of such quality assurance period or upon fulfilment of certain conditions.

Based on the above and taking into consideration that the payment terms of the EPC for 10kV and Below Contract are in line with the payment terms as set out in the EPC for 10kV and Below Tender Documents, which are applied to all participants (i.e. possible service providers), and all bidders, including independent bidders agreed on the payment terms, we concur with the Directors' view that the payment terms in the EPC for 10kV and Below Contract are fair and reasonable and in line with industry practice.

It is also noted in the bidding proposal of the EPC for 10kV and Below Consortium that (i) Sichuan Energy Construction shall be responsible for the procurement of equipment and materials, general contracting of construction works, performing trials and operation of the 10kV and Below Project (other than survey and design); and (ii) Sichuan Energy Consolidated Energy shall be responsible for the surveying and designing works of the 10kV and Below Project. Based on the quotations adopted in the EPC for 10kV and Below Contract, out of the original contract sum of RMB556,200,807 (subject to adjustment based on the completion and settlement audit report), (i) RMB517,810,946 is for the construction works; (ii) RMB34,692,754 is for the surveying and design works; and (iii) RMB3,697,107 is for the procurement of equipment and materials. To the best knowledge and information of the Directors, the contract sum will be allocated based on the parties' agreed work allocation arrangement and the aforesaid quotations of the various works under the EPC for 10kV and Below Contract.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the EPC for 10kV and Below Evaluation Report, and noted that (i) the total contract price in the tender submitted by the EPC for 10kV and Below Consortium was neither the highest nor the lowest among the three tenders; and (ii) the EPC for 10kV and Below Evaluation Panel recommended the EPC for 10kV and Below Consortium as the score of its bidding proposal was highest among those provided, particularly its track record and proposal were the best in fulfilling the needs and requirements of the 10kV and Below Project. As such, it reflected that the EPC for 10kV and Below Evaluation Panel evaluated the three tenders not solely based on the total contract price but considered various factors in totality during the tender selection process instead of giving priority to the total contract price. We have also reviewed the bidding proposal of the winning bidder and noted that the bidding price as set out in the bidding proposal and the EPC for 10kV and Below Evaluation Report were consistent. In light of the above and considering that the contract price, which was the bidding price offered by the successful bidder, we are of the view that the contract price of the EPC for 10kV and Below Contract is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Taking into consideration (i) that the tendering process was in full compliance with the requirements of the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations as well as the EPC for 10kV and Below Tender Documents; (ii) that the evaluation was conducted by the EPC for 10kV and Below Evaluation Panel, of which six bid evaluation experts out of nine members were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) to avoid potential conflict of interest; (iii) the background and expertise of the members of the EPC for 10kV and Below Evaluation Panel; and (iv) that we have reviewed the EPC for 10kV and Below Evaluation Report and noted that (a) the same set of scoring criteria was adopted in the tender selection process; and (b) the same set of standard and systematic tender evaluation procedures were adopted in the tender selection, we are of the view that the tendering procedures and the assessment were in place to ensure that the EPC for 10kV and Below Contract and the transactions contemplated thereunder were conducted in a fair and reasonable way and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. The Equipment and Materials Procurement Contract

The principal terms of the Equipment and Materials Procurement Contract are set out below:

Date: 21 April 2023 (after trading hours)

Parties:

- (1) Xuzhou Electricity;
- (2) Gao County Electricity;
- (3) Gong County Electricity;
- (4) Junlian Electricity;
- (5) Pingshan Electricity;
- (6) Xingwen Electricity;
- (7) Other Implementation Units;
- (8) Hydropower Group (as principal); and
- (9) Materials Industry Group (as contractor).

Project: the 10kV and Below Project

Scope of service: Equipment and materials procurement

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 Implementation Units and Other Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other Implementation Units being available;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Period of warranty: 12 months (commencing from the commissioning of the project) or 18 months (commencing from the delivery of the products) unless otherwise specified under national and/or industrial standard and regulations.

Estimated contract price: RMB550,528,455.16 (tax inclusive) (out of which the Implementation Units shall share and be responsible for the payment of RMB152,450,790.20 (tax inclusive)), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group (for details, please refer to the paragraph headed "Allocation arrangement of contract price payable" below). Based on the Company's past experience and estimation, the final settlement amount shall not be more than 5% of the estimated contract price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing:

The estimated contract price was the successful tender price offered by Materials Industry Group in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 21 days. A total of three bidding proposals from three bidders were received by Hydropower Group (comprising one submitted by Materials Industry Group and two from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Materials Industry Group) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Materials Industry Group scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Payment terms:** The contract price shall be paid in the following manner:
- (1) 30% of the estimated contract price (tax inclusive) as advance payments within 14 days upon approval by the implementation units of the application for advance payments;
 - (2) 67% of the contract price within 7 working days after acceptance of the equipment and materials supplied and issuance of invoice (with the remaining 30% of the estimated contract price being settled by the aforesaid advance payment and remaining 3% of the estimated contract price being retained as quality warranty (as detailed below)); and
 - (3) 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 there is no event of default.

Based on our discussion with the Management, we were given to understand that the Group conducted a public tender to select the contractor for the provision of equipment and material procurement services for the 10kV and Below Project. The relevant tender notice (the “**EMP Tender Notice**”) was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) at <http://ggzyjy.sc.gov.cn> on 23 August 2022. The tendering period was open for 21 days from 24 August 2022 to 14 September 2022. Upon the closing of the tender application, Hydropower Group received three bidding proposals (the “**EMP Bidding Proposals**”) from three bidders, of which one from Materials Industry Group and two from independent third parties.

For assessing each of the EMP Bidding Proposals submitted by all bidders, the evaluation panel (the “**EMP Evaluation Panel**”) was formed in accordance to the requirements of the Bid Evaluation Expert Database and Management Guidance* (評標專家庫及評標專家管理辦法) of the Group and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As advised by the Management, the EMP Evaluation Panel 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) to avoid potential conflict of interest and three representatives of Hydropower Group. Such six tender evaluation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The EMP Evaluation Panel confirmed that all three EMP Bidding Proposals had fulfilled the requirements as set out in the EMP Tender Notice and related documents (the “**EMP Tender Documents**”). The evaluation criteria for the business aspects, which accounted for 60% of the evaluation, included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects, which accounted for 40% of the evaluation, included the quality control and assurance, and the human resources allocation of and the qualification(s) possessed by the professional team to be engaged for the 10kV and Below Project.

A final comprehensive evaluation report for the provision of equipment and material procurement services for the 10kV and Below Project (the “**EMP Evaluation Report**”) prepared by the EMP Evaluation Panel was issued, of which Materials Industry Group was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Materials Industry Group has scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the EMP Evaluation Report.

On 28 September 2022, Hydropower Group has notified Materials Industry Group was the successful bidders and the result was also announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) at <http://ggzyjy.sc.gov.cn>.

We have reviewed the EMP Tender Documents and noted that the EMP Tender Documents set out the detailed and comprehensive information, including but not limited to the tendering procedure, the project scope, the required completion timing, the payment schedule, the required qualification of the bidders, the requirements and criteria on setting the bidding price, the assessment and selection criteria of the winning bidder. We have reviewed the EMP Bidding Proposals received by the Group from the bidders and noted that all the bidders have agreed the requirements and terms, including but not limited to payment terms and schedule stated in the EMP Tender Documents, which are consistent with the principal terms stated in the Equipment and Materials Procurement Contract entered into with, among others, Hydropower Group and Materials Industry Group.

In order to assess the fairness and reasonableness of the payment terms of the Equipment and Materials Procurement Contract, we have conducted research on the website of the Stock Exchange and identified seven notifiable and/or connected transactions in relation to the construction of structures and properties as announced by listed companies on the Stock Exchange from 21 March 2023 to 21 April 2023, being a period of approximately one month prior to and including the date of the Announcement for demonstrating recent market practices. Based on the aforementioned research, we noted the payment terms of all identified transactions were (i) by instalments based on the achievement of certain milestone or certain construction output; and (ii) 1.5% to 5% of the contract/service amounts shall be retained by owners of the underlying structure or property as quality assurance fund and shall be released to the contractors upon expiry of such quality assurance period or upon fulfilment of certain conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above and taking into consideration that the payment terms of the Equipment and Materials Procurement Contract are in line with the payment terms as set out in the EMP Tender Documents, which are applied to all participants (i.e. possible service providers), and all bidders, including independent bidders agreed on the payment terms, we concur with the Directors' view that the payment terms in the Equipment and Materials Procurement Contract are fair and reasonable and in line with industry practice.

We noted that the original contract sum of RMB550,528,455.16 (subject to adjustment based on the completion and settlement audit report) as set out in the Equipment and Materials Procurement Contract is primarily used to procure equipment and materials including, among others, electric wires, cables, transformers, electric energy meters, electric poles, cement products, fittings and porcelain parts.

We have obtained and reviewed the EMP Evaluation Report, and noted that (i) the total contract price in the tender submitted by Materials Industry Group was comparable with those of the other two independent bidders and all three bidders attained the same score in terms of pricing; and (ii) the EMP Evaluation Panel recommended Materials Industry Group as the score of its bidding proposal was highest among those provided, particularly its credit standing and the qualification of the project team were the best in fulfilling the needs and requirements of the 10kV and Below Project. As such, it reflected that the EMP Evaluation Panel evaluated the three tenders not solely based on the total contract price but considered various factors in totality during the tender selection process instead of giving priority to the total contract price. We have also reviewed the bidding proposal of the winning bidder and noted that the bidding price as set out in the bidding proposal and the EMP Evaluation Report were consistent. In light of the above and considering that the contract price, which was the bidding price offered by the successful bidder, we are of the view that the contract price of the Equipment and Materials Procurement Contract is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Taking into consideration (i) that the tendering process was in full compliance with the requirements of the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations as well as the EMP Tender Documents; (ii) that the evaluation was conducted by the EMP Evaluation Panel, of which six bid evaluation experts out of nine members were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) to avoid potential conflict of interest; (iii) the background and expertise of the members of the EMP Evaluation Panel; and (iv) that we have reviewed the EMP Evaluation Report and noted that (a) the same set of scoring criteria was adopted in the tender selection process; and (b) the same set of standard and systematic tender evaluation procedures were adopted in the tender selection, we are of the view that the tendering procedures and the assessment were in place to ensure that the Equipment and Materials Procurement Contract and the transactions contemplated thereunder were conducted in a fair and reasonable way and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. The Construction Supervision Contract

The principal terms of the Construction Supervision Contract are set out below:

Date: 21 April 2023 (after trading hours)

Parties:

- (1) Xuzhou Electricity;
- (2) Gao County Electricity;
- (3) Gong County Electricity;
- (4) Junlian Electricity;
- (5) Pingshan Electricity;
- (6) Xingwen Electricity;
- (7) Hydropower Group (as principal); and
- (8) Showsolid International (as supervisor).

Project: the Rural Power Grid Consolidation and Improvement Project

Scope of service: Construction supervision

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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The rural power grid investment contract among Hydropower Group and the Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the 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 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Period of warranty: 12 months

Estimated contract price: RMB4,187,986 (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 shall not be more than 5% of the estimated contract price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing:

The estimated contract price was the successful tender price offered by Showsolid International in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 21 days. A total of ten bidding proposals from ten bidders were received by Hydropower Group (comprising one submitted by Showsolid International and nine from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Showsolid International) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Showsolid International scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Advance payments:

15% of the estimated contract price as advance payments within 14 days upon approval by the 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, 40% of the advance payments shall be credited into each subsequent progress payment until the entire advance payments are credited.

Progress payments and quality warranty:

- (i) up to 80% of the contract price based on the actual amount of construction work completed every two months;
- (ii) up to 97% of the contract price after settlement and audit, delivery of all supervision materials and execution of project delivery certificate; and
- (iii) the remaining 3% of the contract price shall be retained as quality warranty and payable after the expiry of the warranty period.

Based on our discussion with the Management, we were given to understand that Hydropower Group conducted a public tender to select the contractor for the provision of construction supervision services for the Rural Power Grid Consolidation and Improvement Project. The relevant tender notice (the “**Construction Supervision Tender Notice**”) was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) at <http://ggzyjy.sc.gov.cn> on 23 August 2022. The tendering period was open for 23 days from 24 August 2022 to 16 September 2022. Upon the closing of the tender application, Hydropower Group received 10 bidding proposals (the “**Construction Supervision Bidding Proposals**”) from 10 bidders, of which one from Showsolid International and nine from other independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For assessing the Construction Supervision Bidding Proposals submitted by all bidders, the evaluation panel (the “**Construction Supervision Evaluation Panel**”) was formed in accordance to the requirements of the Bid Evaluation Expert Database and Management Guidance* (評標專家庫及評標專家管理辦法) of the Group and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As advised by the Management, the Construction Supervision Evaluation Panel 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) to avoid potential conflict of interest and three representatives of Hydropower Group. Such six tender evaluation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers.

The Construction Supervision Evaluation Panel confirmed that all 10 Construction Supervision Bidding Proposals had fulfilled the requirements as set out in the Construction Supervision Tender Notice and related documents (the “**Construction Supervision Tender Documents**”). The evaluation criteria for the business aspects, which accounted for 60% of the evaluation, included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects, which accounted for 40% of the evaluation, included the quality control and assurance, the scope of works, and the human resources allocation of and the qualification(s) possessed by the professional team to be engaged for the Rural Power Grid Consolidation and Improvement Project.

A final comprehensive evaluation report for the provision of construction supervision services for the Rural Power Grid Consolidation and Improvement Project (the “**Construction Supervision Evaluation Report**”) prepared by the Construction Supervision Evaluation Panel was issued, of which Showsolid International was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Showsolid International has scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the Construction Supervision Evaluation Report.

On 24 September 2022, Hydropower Group has notified Showsolid International was the successful bidder and the result was also announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) at <http://ggzyjy.sc.gov.cn>.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the Construction Supervision Tender Documents and noted that the Construction Supervision Tender Documents set out the detailed and comprehensive information, including but not limited to the tendering procedure, the project scope, the required completion timing, the payment schedule, the required qualification of the bidders, the requirements and criteria on setting the bidding price, the assessment and selection criteria of the winning bidder. We have reviewed the Construction Supervision Bidding Proposals received by the Group from the bidders and noted that all the bidders have agreed the requirements and terms, including but not limited to payment terms and schedule stated in the Construction Supervision Tender Documents, which are consistent with the principal terms stated in the Construction Supervision Contract entered into with, among others, Hydropower Group and Showsolid International.

In order to assess the fairness and reasonableness of the payment terms of the Construction Supervision Contract, we have conducted research on the website of the Stock Exchange and identified seven notifiable and/or connected transactions in relation to the construction of structures and properties as announced by listed companies on the Stock Exchange from 21 March 2023 to 21 April 2023, being a period of approximately one month prior to and including the date of the Announcement for demonstrating recent market practices. Based on the aforementioned research, we noted the payment terms of all identified transactions were (i) by instalments based on the achievement of certain milestone or certain construction output; and (ii) 1.5% to 5% of the contract/service amounts shall be retained by owners of the underlying structure or property as quality assurance fund and shall be released to the contractors upon expiry of such quality assurance period or upon fulfilment of certain conditions.

Based on the above and taking into consideration that the payment terms of the Construction Supervision Contract are in line with the payment terms as set out in the Construction Supervision Tender Documents, which are applied to all participants (i.e. possible service providers), and all bidders, including independent bidders agreed on the payment terms, we concur with the Directors' view that the payment terms in the Construction Supervision Contract are fair and reasonable and in line with industry practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the Construction Supervision Evaluation Report, and noted that (i) the total contract price in the tender submitted by Showsolid International was neither the highest nor the lowest among the 10 tenders; and (ii) the Construction Supervision Evaluation Panel recommended Showsolid International as the score of its bidding proposal was highest among those provided, particularly its track record and scope of works were the best in fulfilling the needs and requirements of the Rural Power Grid Consolidation and Improvement Project. As such, it reflected that the Construction Supervision Evaluation Panel evaluated the 10 tenders not solely based on the total contract price but considered various factors in totality during the tender selection process instead of giving priority to the total contract price. We have also reviewed the bidding proposal of the winning bidder and noted that the bidding price as set out in the bidding proposal and the Construction Supervision Evaluation Report were consistent. In light of the above and considering that the contract price, which was the bidding price offered by the successful bidder, we are of the view that the contract price of the Construction Supervision Contract is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Taking into consideration (i) that the tendering process was in full compliance with the requirements of the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations as well as the Construction Supervision Tender Documents; (ii) that the evaluation was conducted by the Construction Supervision Evaluation Panel, of which six bid evaluation experts out of nine members were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) to avoid potential conflict of interest; (iii) the background and expertise of the members of the Construction Supervision Evaluation Panel; and (iv) that we have reviewed the Construction Supervision Evaluation Report and noted that (a) the same set of scoring criteria was adopted in the tender selection process; and (b) the same set of standard and systematic tender evaluation procedures were adopted in the tender selection, we are of the view that the tendering procedures and the assessment were in place to ensure that the Construction Supervision Contract and the transactions contemplated thereunder were conducted in a fair and reasonable way and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

D. The EPC Contract for 35kV and Above Project

The principal terms of the EPC Contract for 35kV and Above Project are set out below:

- Date:** 21 April 2023 (after trading hours)
- Parties:**
- (1) Xuzhou Electricity (as implementation unit);
 - (2) Zizhong Longyuan Electricity (as implementation unit);
 - (3) Hydropower Group (as principal);
 - (4) Sichuan Energy Yibin Electricity Engineering (as contractor); and
 - (5) Xingneng Hydropower (as contractor).
- Project:** the 35kV and Above Project
- Scope of service:** Survey, design, construction and equipment and materials procurement
- Construction Period:** 264 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, Xuzhou Electricity and Zizhong Longyuan Electricity having been executed and become effective;
 4. the self-financed funds (if any) of Xuzhou Electricity and Zizhong Longyuan Electricity 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. the Stock Exchange's approval in connection with the contract and the transactions contemplated thereunder having been obtained.

Note: Save for conditions 5 and 6 stated above, all the other conditions precedent had been fulfilled as at the Latest Practicable Date.

Period of warranty: 24 months commencing from the issuance of project delivery certificate

Total estimated contract price: RMB32,943,497 (tax inclusive) which comprises (i) the survey and design fee of RMB1,174,628 (tax inclusive); (ii) the construction and installation fee of RMB11,319,166 (tax inclusive); and (iii) the equipment procurement fee of RMB20,449,703 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group. Out of the said estimated total contract price of RMB32,943,497 (tax inclusive), it is envisaged that (i) Sichuan Energy Yibin Electricity Engineering as one of the contractors, will receive RMB31,768,869 (tax inclusive) for the services to be rendered; and (ii) Xuzhou Electricity as one of the implementation units, shall share and be responsible for the payment of RMB16,276,100 (tax inclusive) (for details, please refer to the paragraph headed "Allocation arrangement of contract price payable" below). Based on the Company's past experience and estimation, the final settlement amount shall not be more than 10% of the estimated contract price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower in the public tender conducted by Hydropower Group (Hydropower Group is the legal person of local rural power grid projects in Sichuan Province, which shall be responsible for the unified organisation and implementation of rural power grid projects). The tender notice was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) with a tendering period of 27 days. A total of six bidding proposals from six bidders were received by Hydropower Group (comprising one submitted by Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower and five from independent third parties). For assessing the bidding proposals submitted by the bidders, an evaluation panel was formed in accordance with the requirements of the Bid Evaluation Expert Database and Management Guidance* (《評標專家庫及評標專家管理辦法》) 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 evaluation panel 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. Such six tender valuation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers. 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 construction timeliness, quality control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged. The evaluation panel then prepared a final comprehensive evaluation report in which the winning bidder (i.e. Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower) was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the final comprehensive evaluation report. The tendering results was subsequently announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The tender price offered was determined by the design institute of Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower 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:

Advance payments:

15% of the total estimated contract price as advance payments within 14 days upon approval by the 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.

Progress payments and quality warranty:

- (i) up to 80% of the total contract price based on 80% of the actual amount of the construction work completed each month;
- (ii) up to 90% of the total contract price after completion and acceptance of the project;
- (iii) up to 97% of the total contract price after settlement and audit; and
- (iv) the remaining 3% of the total contract price shall be retained as quality warranty and payable (without interests) upon verification of completion of defect liability after the expiry of warranty period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Management, we were given to understand that Hydropower Group conducted a public tender to select the contractor for the provision of engineering, procurement and construction services for the 35kV and Above Project. The relevant tender notice (the “**EPC for 35kV and Above Tender Notice**”) was published on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) at <http://ggzyjy.sc.gov.cn> on 10 August 2022. The tendering period was open for 27 days from 11 August 2022 to 6 September 2022. Upon the closing of the tender application, Hydropower Group received six bidding proposals (the “**EPC for 35kV and Above Bidding Proposals**”) from six bidders, of which one from consortium consisting of Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower (the “**EPC for 35kV and Above Consortium**”) and five from independent third parties.

For assessing the EPC for 35kV and Above Bidding Proposals submitted by all bidders, the EPC for 35kV and Above Evaluation Panel was formed in accordance to the requirements of the Bid Evaluation Expert Database and Management Guidance* (評標專家庫及評標專家管理辦法) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As advised by the Management, the evaluation panel (the “**EPC for 35kV and Above Evaluation Panel**”) 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) to avoid potential conflict of interest and three representatives of Hydropower Group. Such six tender evaluation experts are professionals with senior title or equivalent professional level in the PRC with extensive working experience in the power transformation or electrical engineering or related profession, while the three representatives of Hydropower Group are senior engineers.

The EPC for 35kV and Above Evaluation Panel confirmed that all six of the EPC for 35kV and Above Bidding Proposals had fulfilled the requirements as set out in the EPC for 35kV and Above Tender Notice and related documents (the “**EPC for 35kV and Above Tender Documents**”). The evaluation criteria for the business aspects, which accounted for 60% of the evaluation, included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects, which accounted for 40% of the evaluation, included the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team to be engaged for the 35kV and Above Project.

A final comprehensive evaluation report for the survey, design, construction and equipment and material procurement for the 35kV and Above Project (the “**EPC for 35kV and Above Evaluation Report**”) prepared by the EPC for 35kV and Above Evaluation Panel was issued, of which the EPC for 35kV and Above Consortium was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by the EPC for 35kV and Above Consortium has scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the EPC for 35kV and Above Evaluation Report.

On 21 October 2022, Hydropower Group has notified the EPC for 35kV and Above Consortium was the successful bidder and the result was also announced on the website of the National Public Resource Trading Platform (Sichuan Province)* (《全國公共資源交易平台(四川省)》) at <http://ggzyjy.sc.gov.cn>.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the EPC for 35kV and Above Tender Documents and noted that the EPC for 35kV and Above Tender Documents set out the detailed and comprehensive information, including but not limited to the tendering procedure, the project scope, the required completion timing, the payment schedule, the required qualification of the bidders, the requirements and criteria on setting the bidding price, the assessment and selection criteria of the winning bidder. We have reviewed the EPC for 35kV and Above Bidding Proposals received by the Group from the bidders and noted that all the bidders have agreed the requirements and terms, including but not limited to payment terms and schedule stated in the EPC for 35kV and Above Tender Documents, which are consistent with the principal terms stated in the EPC for 35kV and Above Contract entered into with, among others, Hydropower Group, Sichuan Energy Yibin Electricity Engineering and Xingneng Hydropower.

In order to assess the fairness and reasonableness of the payment terms of the EPC for 35kV and Above Contract, we have conducted research on the website of the Stock Exchange and identified seven notifiable and/or connected transactions in relation to the construction of structures and properties as announced by listed companies on the Stock Exchange from 21 March 2023 to 21 April 2023, being a period of approximately one month prior to and including the date of the Announcement for demonstrating recent market practices. Based on the aforementioned research, we noted the payment terms of all identified transactions were (i) by instalments based on the achievement of certain milestone or certain construction output; and (ii) 1.5% to 5% of the contract/service amounts shall be retained by owners of the underlying structure or property as quality assurance fund and shall be released to the contractors upon expiry of such quality assurance period or upon fulfilment of certain conditions.

Based on the above and taking into consideration that the payment terms of the EPC for 35kV and Above Contract are in line with the payment terms as set out in the EPC for 35kV and Above Tender Documents, which are applied to all participants (i.e. possible service providers), and all bidders, including independent bidders agreed on the payment terms, we concur with the Directors' view that the payment terms in the EPC for 35kV and Above Contract are fair and reasonable and in line with industry practice.

It is also noted in the bidding proposal of the EPC for 35kV and Above Consortium that (i) Sichuan Energy Yibin Electricity Engineering shall be responsible for the procurement and supply of equipment and materials; installation and trial operation of the 35kV and Above Project; and (ii) Xingneng Hydropower shall be responsible for the survey and design for improvement engineering of the 35kV and Above Project. Based on the quotations adopted in the EPC for 35kV and Above Contract, out of the original contract sum of RMB32,943,497 (subject to adjustment based on the completion and settlement audit report), (i) RMB20,449,703 is for the procurement of equipment and materials; (ii) RMB11,319,166 is for the construction and installation; and (iii) RMB1,174,628 is for the surveying and design works. To the best knowledge and information of the Directors, the contract sum will be allocated based on the parties' agreed work allocation arrangement and the aforesaid quotations of the various works under the EPC for 35kV and Above Contract.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the EPC for 35kV and Above Evaluation Report, and noted that (i) the total contract price in the tender submitted by the EPC for 35kV and Above Consortium was neither the highest nor the lowest among the six tenders; and (ii) the EPC for 35kV and Above Evaluation Panel recommended the EPC for 35kV and Above Consortium as the score of its bidding proposal was highest among those provided, particularly its track record and proposal were the best in fulfilling the needs and requirements of the 35kV and Above Project. As such, it reflected that the EPC for 35kV and Above Evaluation Panel evaluated the six tenders not solely based on the total contract price but considered various factors in totality during the tender selection process instead of giving priority to the total contract price. We have also reviewed the bidding proposal of the winning bidder and noted that the bidding price as set out in the bidding proposal and the EPC for 35kV and Above Evaluation Report were consistent. In light of the above and considering that the contract price, which was the bidding price offered by the successful bidder, we are of the view that the contract price of the EPC for 35kV and Above Contract is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Taking into consideration (i) that the tendering process was in full compliance with the requirements of the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations as well as the EPC for 35kV and Above Tender Documents; (ii) that the evaluation was conducted by the EPC for 35kV and Above Evaluation Panel, of which six bid evaluation experts out of nine members were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) to avoid potential conflict of interest; (iii) the background and expertise of the members of the EPC for 35kV and Above Evaluation Panel; and (iv) that we have reviewed the EPC for 35kV and Above Evaluation Report and noted that (a) the same set of scoring criteria was adopted in the tender selection process; and (b) the same set of standard and systematic tender evaluation procedures were adopted in the tender selection, we are of the view that the tendering procedures and the assessment were in place to ensure that the EPC for 35kV and Above Contract and the transactions contemplated thereunder were conducted in a fair and reasonable way and in the interest of the Company and its Shareholders as a whole.

ALLOCATION ARRANGEMENT OF CONTRACT PRICE PAYABLE

As disclosed in the Letter from the Board, the Group is responsible for the payment of (i) RMB154,773,350 (tax inclusive) out of the total contract sum of RMB556,200,807 (tax inclusive) under the EPC Contract for 10kV and Below Project; (ii) RMB152,450,790.20 (tax inclusive) out of the total contract sum of RMB550,528,455.16 (tax inclusive) under the Equipment and Materials Procurement Contract; and (iii) RMB16,276,100 (tax inclusive) out of the total contract sum of RMB32,943,497 (tax inclusive) under the EPC Contract for 35kV and Above Project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The EPC Contract for 10kV and Below Project and Equipment and Materials Procurement Contract both cover the same 25 counties (city, district) in the PRC, including Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County which the Group (in the capacity as the implementation units) is responsible for the works of the projects thereat (as further detailed below). On the other hand, the EPC Contract for 35kV and Above Project cover four counties (city, district) in the PRC, including Xuzhou District and Cuiping District, which the Group (in the capacity as the implementation unit) is responsible for the works of the projects thereat (as further detailed below).

Generally, based on the parties' agreed work allocation arrangement, each of the implementation units under the EPC Contract for 10kV and Below Project, Equipment and Materials Procurement Contract and the EPC Contract for 35kV and Above Project would be responsible for the part of the projects conducted in the counties 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, Junlian County, Pingshan County, Xingwen County and/or Cuiping District, 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 Contract 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).

RECOMMENDATION

Having considered that:

- (i) the tendering procedures were fairly conducted in compliance with the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》) and other relevant laws and regulations;
- (ii) the winning bidders were (a) assessed by a professional evaluation panel with extensive experience and qualifications; and (b) determined by the highest score among all bidders in all aspects;
- (iii) the background and experience of winning bidders and its cooperation background of similar construction projects with the Group previously commenced; and
- (iv) the reasons and benefits for entering into the 2022 Rural Power Grid Contracts are conducted in compliance with the requirements of the 2022 Approval,

we are of the view that the entering into of the 2022 Rural Power Grid Contracts are in the ordinary and usual course of the Group's business, and the transactions contemplated thereunder 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the 2022 Rural Power Grid Contracts and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance 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 15 years of experience in the accounting and investment banking industries.

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, none of our 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. 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 2022, 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.

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	Nature of Shares	Number of Shares	Capacity	Percentage of such Shares in the issued Shares of the same class (%)	Percentage of such Shares in the total issued Shares (%)
Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司) (Note 2)	Domestic Shares	286,960,942 (L)	Interest of controlled corporations	100.00	26.71
	H Shares	132,375,058 (L)	Beneficial owner and interest of controlled corporations	16.81	12.32
Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司)(Note 2)	Domestic Shares	286,960,942 (L)	Interest of controlled corporations	100.00	26.71
	H Shares	107,437,458 (L)	Interest of controlled corporations	13.64	10.00
Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司)	Domestic Shares	286,960,942 (L)	Beneficial owner	100.00	26.71
	H Shares	107,437,458 (L)	Beneficial owner	13.64	10.00
China Power International Development Limited (中國電力國際發展有限公司)	H Shares	98,039,200 (L)	Beneficial owner	12.45	9.13
China Three Gorges Corporation* (中國長江三峽集團有限公司) (Note 3)	H Shares	98,039,200 (L)	Interest of controlled corporations	12.45	9.13
Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司)	H Shares	98,039,200 (L)	Beneficial owner	12.45	9.13
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)	H Shares	92,406,000 (L)	Beneficial owner	11.74	8.60
Tianqi Lithium HK CO., ltd	H Shares	77,500,000 (L)	Beneficial owner	9.84	7.21
Yibin Development Holding Group Co., Ltd.* (宜賓發展控股集團有限公司)	H Shares	65,359,500 (L)	Beneficial owner	8.30	6.08

Name of Shareholder	Nature of Shares	Number of Shares	Capacity	Percentage of such Shares in the issued Shares of the same class (%)	Percentage of such Shares in the total issued Shares (%)
Tian Qiu (田秋)(Note 4)	H Shares	62,570,000 (L)	Interest of controlled corporations and interest of spouse	7.95	5.82
Wang Wenxiang (王文香)(Note 4)	H Shares	62,570,000 (L)	Interest of controlled corporations and interest of spouse	7.95	5.82
Sichuan Jinneng Energy Group Co., Ltd.* (四川金能能源集團有限公司) (Note 4)	H Shares	62,570,000 (L)	Interest of controlled corporations	7.95	5.82
Jinneng Holding (Hong Kong) Limited	H Shares	62,570,000 (L)	Beneficial owner	7.95	5.82
Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司)	H Shares	55,366,000 (L)	Beneficial owner	7.03	5.15

Notes:

- 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.
- 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. Therefore, Energy Investment Group is deemed to be interested in the 286,960,942 Domestic Shares and the 107,437,458 H Shares held by Hydropower Group pursuant to Part XV of the SFO; Sichuan Development is also deemed to be interested in the said the 286,960,942 Domestic Shares and the 107,437,458 H Shares. In addition, Sichuan Development directly held 24,937,600 H Shares of the Company, thus Sichuan Development is deemed to hold a total of 286,960,942 Domestic Shares and 132,375,058 H Shares.
- 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 held as to approximately 74.67% 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.
- 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, save for Mr. He Jing (the chairman of the Board and an executive Director) was appointed as 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.

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 2022, 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

Each of the executive Directors, non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company, which commenced from the date of passing the relevant resolutions at the relevant extraordinary general meeting and ending on the expiry of the fourth session of the Board. The service contract may be renewed in accordance with the Articles of Association and applicable laws, rules and regulations.

The Supervisors have entered into contracts with the Company which is consistent with the term of the fourth session of the Supervisory Committee, in respect of, among other things, the compliance with the relevant laws and regulations, the Articles of Association and the provisions on arbitration.

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. EXPERTS

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

Name	Qualification
Lego Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- (2) As at the Latest Practicable Date, Lego Corporate Finance 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) Lego Corporate Finance 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, Lego Corporate Finance was not interested, directly or indirectly, in any assets which had since 31 December 2022 (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.

11. 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 EPC Contract for 10kV and Below Project;
- (2) the Equipment and Materials Procurement Contract;
- (3) the Construction Supervision Contract; and
- (4) the EPC Contract for 35kV and Above Project.

12. MISCELLANEOUS

- (1) The joint company secretaries of the Company are Mr. Li Hui 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 2023 SECOND 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 2023 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting (the “**EGM**”) of Sichuan Energy Investment Development Co., Ltd.* (the “**Company**”) for the year 2023 will be held at No.778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on Tuesday, 25 July 2023 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 6 July 2023.

ORDINARY RESOLUTIONS

1. 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 6 July 2023; 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.
2. 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 6 July 2023; 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.
3. 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 6 July 2023; 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.

NOTICE OF THE 2023 SECOND EXTRAORDINARY GENERAL MEETING

4. 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 6 July 2023; 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.
5. To consider and approve the appointment of Ms. Sun Hui as a supervisor of the Company.

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

Chengdu, Sichuan Province, the PRC
6 July 2023

Notes:

1. Details of the above resolutions are set out in the circular of the Company dated 6 July 2023.
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 Thursday, 20 July 2023 to Tuesday, 25 July 2023 (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 Wednesday, 19 July 2023.
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 Monday, 24 July 2023). 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 corporate Shareholders appoints 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 Shareholders 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.

NOTICE OF THE 2023 SECOND EXTRAORDINARY GENERAL MEETING

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 shares 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 Monday, 17 July 2023.
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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 the 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.
11. The name and address of the Company's H Shares 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. Li Hui; and Ms. Xie Peixi; the non-executive Directors are Ms. Han Chunhong, Ms. Liang Hong, Ms. Lv Yan, Mr. Tao Xueqing and Mr. Kong Ce; and the independent non-executive Directors are Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng, Prof. Li Jian and Ms. He Yin.

* For identification purposes only