
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).

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

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

(the "Company")

(Stock Code: 01713)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE (1) EPC CONTRACT; (2) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT; (3) CONSTRUCTION SUPERVISION CONTRACT; AND (4) AUTOMATION EPC CONTRACT AND NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING

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



Lego Corporate
Finance Limited
力高企業融資有限公司

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 Conference Room, 10th Floor, No. 778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on 19 April 2022 are set out on pages 67 to 69 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 and Unlisted Foreign 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 18 April 2022) 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.

30 March 2022

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DEFINITIONS

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

“10kV and Below Project”	2021 Rural Power Grid Consolidation and Improvement Engineering 10kV and Below Project, which forms part of the Power Grid Consolidation and Improvement Project
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Automation EPC Contract”	the Automation EPC Contract entered into by and among others, the Implementation Units, Hydropower Group, Sun Technology and Beijing Forever on 17 December 2021
“Beijing Forever”	Beijing Forever Technology Co., Ltd (北京恆華偉業科技股份有限公司) (stock code: 300365.SZ), a company established in the PRC as a joint stock company with limited liability on 23 November 2000 whose shares are listed on ChiNext of the Shenzhen Stock Exchange
“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: 1713), 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 entered into by and among others, the Implementation Units, Hydropower Group and Sichuan Yilian on 17 December 2021
“Contracts”	the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract
“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 and paid up in RMB and held by PRC nationals and/or PRC incorporated entities

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“EGM”	the extraordinary general meeting of the Company to be convened at Conference Room, 10th Floor, No. 778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on 19 April 2022 to consider, and if thought fit, approve the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract and the transactions contemplated thereunder
“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”	the EPC Contract entered into by and among others, the Implementation Units, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Power on 17 December 2021
“Equipment and Materials Procurement Contract”	the Equipment and Materials Procurement Contract entered into by and among others, the Implementation Units, Hydropower Group and Materials Industry Group on 17 December 2021
“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)”	overseas listed foreign invested 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

DEFINITIONS

“Implementation Units”	Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity and Xingwen Electricity
“Independent Board Committee”	an independent board committee of the Board (which comprises Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng and Prof. Li Jian, all of them are independent non-executive Directors) established to advise the Independent Shareholders in respect of the connected transactions contemplated under the 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 the Independent Shareholders on the discloseable and connected transactions contemplated under the Contracts
“Independent Shareholder(s)”	Shareholder(s) who is/are not interested in the Contracts and is/are not required under the Listing Rules to abstain from voting on the resolutions to approve the 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”	25 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information 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 and a wholly-owned subsidiary of Energy Investment Group, a connected person of the Group
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“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
“Power Grid Consolidation and Improvement Project”	2021 Rural Power Grid Consolidation and Improvement Engineering Project

DEFINITIONS

“PRC”	the People’s Republic of China, for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Share(s)”	the Domestic Share(s), H Share (s) and Unlisted Foreign Share(s)
“Shareholder(s)”	holder(s) of the Shares of the Company
“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 Construction”	Sichuan Energy Investment Construction Engineering Group Co., Ltd.* (四川能投建工集團有限公司) is a limited liability company established in the PRC on 3 March 2006 and a direct subsidiary of Energy Investment Group, a connected person of the Group
“Sichuan Energy Power”	Sichuan Energy Investment Power Co., Ltd.* (四川能投售電有限責任公司), a company established in the PRC on 13 May 2016 and a wholly-owned subsidiary of Hydropower Group, a connected person of the Group
“Sichuan Yilian”	Sichuan Yilian Construction Project Management Co., Ltd.* (四川億聯建設工程項目管理有限公司), a limited liability company established in the PRC on 3 June 2002 and indirectly owned as to approximately 33.52% by Energy Investment Group, directly owned as to approximately 66.48% by four individual investors, namely Chen Wei, Yan Jingsong, Li Zhixiang and Chen Zhiqi, all of whom are independent third parties
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sun Technology”	Sun Technology Company Limited* (成都太陽高科技有限責任公司) is a company established in the PRC with limited liability on 10 December 1992 and is owned as to approximately 67% by Hydropower Group, approximately 25% by Sichuan LenSyn Technology Co., Ltd.* (四川能信科技股份有限公司) and approximately 8% by Mr. Li Guangying
“Supervisor(s)”	the supervisor(s) of the Company

DEFINITIONS

“Unlisted Foreign Shares”	the ordinary shares issued by the Company that are not listed on any stock exchange, with a nominal value of RMB1.00 each, and held by China Power International Development Limited (a company incorporated in Hong Kong)
“Xingwen Electricity”	Sichuan Energy Investment Xingwen Electricity Co., Ltd.* (四川能投興文電力有限公司), a limited liability company established in the PRC on 3 April 1998 and a wholly-owned subsidiary of the Company
“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 on 18 June 2012 and a wholly-owned subsidiary of the Company
“%”	per cent

* For identification purpose 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)

(the "Company")

(Stock Code: 01713)

Executive Directors:

Mr. Xiong Lin (*Chairman*)

Mr. Li Hui

Ms. Xie Peixi

Non-executive Directors:

Ms. Han Chunhong

Ms. Li Yu

Ms. Liang Hong

Ms. Lv Yan

Independent Non-executive Directors:

Mr. Kin Kwong Kwok Gary

Ms. He Zhen

Mr. Wang Peng

Prof. Li Jian

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

30 March 2022

To the Shareholders,

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE
(1) EPC CONTRACT;
(2) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(3) CONSTRUCTION SUPERVISION CONTRACT; AND
(4) AUTOMATION EPC CONTRACT
AND
NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 17 December 2021 in relation to the (1) EPC Contract; (2) Equipment and Materials Procurement Contract; (3) Construction Supervision Contract; and (4) Automation EPC Contract.

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On 17 December 2021, after trading hours, the Implementation Units (all of which are wholly-owned subsidiaries of the Company) entered into (1) the EPC Contract with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Power, pursuant to which, Sichuan Energy Construction and Sichuan Energy Power 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; (3) the Construction Supervision Contract with, among others, Hydropower Group and Sichuan Yilian, pursuant to which, Sichuan Yilian agreed to provide construction supervision service for the Power Grid Consolidation and Improvement Project; and (4) the Automation EPC Contract with, among others, Hydropower Group, Sun Technology and Beijing Forever, pursuant to which, Sun Technology and Beijing Forever agreed to provide engineering, procurement and construction services for the Power Grid Consolidation and Improvement 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, the Equipment and Materials Procurement Contract, the Construction Supervision Contract, the Automation EPC Contract and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of EGM and other information as required under the Listing Rules.

THE EPC CONTRACT

On 17 December 2021, the Implementation Units entered into the EPC Contract with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Power. The principal terms of the EPC Contract are set out below:

- Date:** 17 December 2021
- Parties:**
- (1) Xuzhou Electricity;
 - (2) Gao County Electricity;
 - (3) Gong County Electricity;
 - (4) Junlian Electricity;
 - (5) Pingshan Electricity;
 - (6) Xingwen Electricity;
 - (7) Other EPC Contract Implementation Units (as defined below);
 - (8) Hydropower Group (as contractor);

LETTER FROM THE BOARD

(9) Sichuan Energy Construction (as subcontractor); and

(10) Sichuan Energy Power (as subcontractor).

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:

1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee;
3. the power grid investment contract among Hydropower Group, the Implementation Units and Other EPC Contract Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other EPC Contract 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.

Period of warranty: 24 months (commencing from the issuance of project handover certificate)

Contract price: RMB619,347,209 (out of which the Implementation Units shall share RMB156,633,031) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

LETTER FROM THE BOARD

Pricing:

The contract price was the successful tender price offered by Sichuan Energy Construction and Sichuan Energy Power in the public tender and was accepted by the bid evaluation committee (評標委員會) for the 10kV and Below Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including, among others, (i) from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team of the bidder to be engaged.

The maximum tender price for the 10kV and Below Project was set by the Group and the third-party professional institution engaged by the Group. The maximum tender price was fixed according to the calculation mechanism of the price determination and formula for each category of service in accordance with the documents issued by the governmental authorities, including but not limited to Provision for Compilation and Calculation of Budgets for 20kV and Below Power Grid Construction (2016 version) (《20kV及以下配電網工程建設預算編製與計算規定》(2016年版)) and Budget Quota for 20kV and Below Power Grid Construction (2016 version) (《20kV及以下配電網工程預算定額》(2016年版)), and feasibility study report of the 10kV and Below Project, which also makes reference to the estimated amount of the EPC works of the 10kV and Below Project and the price of the comparable works available in the market.

Payment terms:

The contract price for survey and design shall be paid in the following manner:

- (1) up to 80% of the contract price for survey and design after confirmation of the construction drawing design;
- (2) up to 90% of the contract price for survey and design after completion and acceptance of the project;
- (3) up to 97% of the contract price for survey and design after settlement and audit;
- (4) the remaining 3% of the contract price for survey and design will be served as quality warranty and shall be paid after the expiry of warranty period.

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The contract price for construction shall be paid in the following manner:

- (1) up to 85% of the contract price for construction based on the actual amount of the construction work completed each month;
- (2) up to 90% of the contract price for construction after completion and acceptance of the project;
- (3) up to 97% of the contract price for construction after settlement and audit;
- (4) the remaining 3% of the contract price for construction will be served as quality warranty and shall be paid after the expiry of warranty period.

The materials fees shall be paid in the following manner:

- (1) up to 90% of the materials fees based on the actual amount of materials supplied;
- (2) up to 95% of the materials fees based on the actual amount of materials supplied after completion and acceptance;
- (3) up to 97% of the materials fees based on the actual amount of materials supplied after settlement and audit;
- (4) the remaining 3% of the materials fees based on the actual amount of materials supplied will be served as quality warranty and shall be paid after the expiry of warranty period.

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THE EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT

On 17 December 2021, 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:	17 December 2021
Parties:	<ul style="list-style-type: none">(1) Xuzhou Electricity;(2) Gao County Electricity;(3) Gong County Electricity;(4) Junlian Electricity;(5) Pingshan Electricity;(6) Xingwen Electricity;(7) Other Equipment and Materials Procurement Contract Implementation Units (as defined below);(8) Hydropower Group (as contractor); and(9) Materials Industry Group (as subcontractor).
Project:	the 10kV and Below Project
Scope of service:	Equipment and materials procurement
Conditions precedent:	<p>The contract shall become effective subject to the satisfaction of the following conditions precedent:</p> <ul style="list-style-type: none">1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;2. Hydropower Group having received the performance guarantee;3. the power grid investment contract among Hydropower Group, the Implementation Units and the Other Equipment and Materials Procurement Contract Implementation Units having been executed and become effective;

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4. the self-financed funds (if any) of the Implementation Units and the Other Equipment and Materials Procurement Contract 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.

Period of warranty: 12 months (commencing from the commissioning of the project) or 18 months (commencing from the delivery of the products)

Contract price: RMB655,776,239.19 (out of which the Implementation Units shall share RMB161,213,958.39) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

Pricing: The contract price was the successful tender price offered by Materials Industry Group in the public tender and was accepted by the bid evaluation committee (評標委員會) for the 10kV and Below Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including, among others, (i) from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team of the bidder to be engaged.

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

- (1) 30% of the contract price within 15 days after signing the contract;
- (2) 67% of the contract price within 7 working days after acceptance of the equipment and materials supplied and the issuance of value-added tax invoice;
- (3) the remaining 3% of the contract price will be served as quality warranty and shall be paid within 14 days after the expiry of warranty period and there is no event of default.

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THE CONSTRUCTION SUPERVISION CONTRACT

On 17 December 2021, the Implementation Units entered into the Construction Supervision Contract with, among others, Hydropower Group and Sichuan Yilian. The principal terms of the Construction Supervision Contract are set out below:

Date:	17 December 2021
Parties:	<ul style="list-style-type: none">(1) Xuzhou Electricity;(2) Gao County Electricity;(3) Gong County Electricity;(4) Junlian Electricity;(5) Pingshan Electricity;(6) Xingwen Electricity;(7) Other Construction Supervision Contract Implementation Units (as defined below);(8) Hydropower Group (as contractor); and(9) Sichuan Yilian (as subcontractor).
Project:	the Power Grid Consolidation and Improvement Project
Scope of service:	Construction supervision
Conditions precedent:	<p>The contract shall become effective subject to the satisfaction of the following conditions precedent:</p> <ul style="list-style-type: none">1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;2. Hydropower Group having received the performance guarantee;3. the power grid investment contract among Hydropower Group, the Implementation Units and the Other Contract Supervision Contract Implementation Units having been executed and become effective;

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4. the self-financed funds (if any) of the Implementation Units and the Other Contract Supervision Contract 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.

Period of warranty: 12 months

Contract price: RMB7,352,100 (out of which the Implementation Units shall share RMB4,143,500) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

Pricing: The contract price was the successful tender price offered by Sichuan Yilian in the public tender and was accepted by the bid evaluation committee (評標委員會) for the Power Grid Consolidation and Improvement Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including, among others, (i) from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team of the bidder to be engaged.

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

- (1) up to 85% of the contract price every two months based on the actual amount of the construction work completed;
- (2) up to 97% of the contract price after completion of the settlement and audit of construction work;
- (3) the remaining 3% of the contract price will be served as quality warranty money and shall be paid after the expiry of warranty period.

LETTER FROM THE BOARD

THE AUTOMATION EPC CONTRACT

On 17 December 2021, the Implementation Units entered into the Automation EPC Contract with, among others, Hydropower Group, Sun Technology and Beijing Forever. The principal terms of the Automation EPC Contract are set out below:

Date:	17 December 2021
Parties:	<ul style="list-style-type: none">(1) Xuzhou Electricity;(2) Gao County Electricity;(3) Gong County Electricity;(4) Junlian Electricity;(5) Pingshan Electricity;(6) Xingwen Electricity;(7) Other Automation EPC Contract Implementation Units (as defined below);(8) Hydropower Group (as contractor);(9) Sun Technology (as subcontractor); and(10) Beijing Forever (as subcontractor).
Project:	the Power Grid Consolidation and Improvement Project (automation improvement project)
Scope of service:	Procurement and supply of equipment and materials; installation and trial operation and design for automation improvement engineering
Construction period:	203 calendar days
Conditions precedent:	<p>The contract shall become effective subject to the satisfaction of the following conditions precedent:</p> <ul style="list-style-type: none">1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;2. Hydropower Group having received the performance guarantee;

LETTER FROM THE BOARD

3. the power grid investment contract among Hydropower Group, the Implementation Units and the Other Automation EPC Contract Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and the Other Automation EPC Contract 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.

Period of warranty: 2 years (if the manufacturers of the products provide warranty period of over 2 years, then such period of warranty is adopted)

After-sales service: 3 years (commencing from the date of acceptance of Hydropower Group)

Contract price: RMB46,960,000 (out of which the Implementation Units shall share RMB12,743,115) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

Pricing: The contract price was the successful tender price offered by Sun Technology and Beijing Forever in the public tender and was accepted by the bid evaluation committee (評標委員會) for the Power Grid Consolidation and Improvement Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including, among others, (i) from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) from the technical aspects, the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms: The contract price for equipment and materials procurement shall be paid in the following manner:

- (1) 30% of the contract price for equipment and materials procurement after the signing of the contract and within 14 days after receiving the request;

LETTER FROM THE BOARD

- (2) up to 55% of the contract price for equipment and materials procurement after delivery of equipment and materials and within 30 days of the issuance of value-added tax invoice;
- (3) up to 97% of the contract price for equipment and materials procurement after acceptance and settlement and within 30 days of the issuance of value-added tax invoice;
- (4) the remaining 3% of the contract price for equipment and materials procurement will be served as quality warranty and shall be paid after the expiry of warranty period.

The contract price for installation and trial operation shall be paid in the following manner:

- (1) 30% of the contract price for installation and trial operation after the signing of the contract and within 14 days after receiving the request;
- (2) up to 55% of the contract price for installation and trial operation after completion of installation and trial operation and within 30 days after the issuance of value-added tax invoice;
- (3) up to 97% of the contract price for installation and trial operation after settlement and within 30 days after the issuance of value-added tax invoice;
- (4) the remaining 3% of the contract price for installation and trial operation will be served as quality warranty and shall be paid after the expiry of warranty period.

The contract price for the design shall be paid in the following manner:

- (1) 30% of the contract price for the design after the signing of the contract and within 14 days after receiving the request;
- (2) 30% of the contract price for the design after the submission of preliminary design and related information and within 30 days of the issuance of value-added tax invoice;
- (3) 35% of the contract price for the design after the submission of construction drawing design and related information and within 30 days of the issuance of value-added tax invoice;
- (4) the remaining 5% of the contract price for the design after the completion of the project.

LETTER FROM THE BOARD

BACKGROUND OF THE POWER GRID CONSOLIDATION AND IMPROVEMENT PROJECT

The Power Grid Consolidation and Improvement Project (which include the 10kV and Below Project and the automation improvement project) is part of the rural power grid construction projects which are policy-directed projects for the benefits of people (惠民工程) implemented by and under the guidance of the PRC government in order to improve the electricity consumption level and living standards in the rural areas of the PRC. For further background of the rural power grid construction projects and the policies thereunder, please refer to the paragraph headed “Reasons for and benefits for entering into the Contracts” below.

With respect to the 10kV and Below Project, the project covers 26 counties (city, district) in the PRC, including Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County which the Implementation Units are located, and comprises the construction and alteration of 10kV transmission lines, distribution transformers and low voltage lines.

With respect to the automation improvement project, the project covers 22 counties (city, district), including the aforesaid counties/districts that the Implementation Units are located, and comprises the rural grid dispatching automation engineering, rural grid distribution automation main station system engineering and network security protection engineering for the rural grid dispatching system.

As aforementioned, the Power Grid Consolidation and Improvement Project is conducted over different counties (city, district). Generally, based on the parties’ agreed work allocation arrangement, each of the implementation units under 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 would bear the costs of the projects conducted in Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County, and hold ownership of such part of the assets upon completion of the relevant construction it is responsible for. The amount of the costs to be shared under each 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). As the location, scope and the scale of the works to be carried out in each county (city, district) differ across each Contract, the proportion of the costs to be shared by the Group is therefore different under each Contract.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS FOR ENTERING INTO THE CONTRACTS

Firstly, according to the relevant requirements of the Notice of the National Development and Reform Commission on the Issuance of the 2021 Central Budgetary Investment Plan for the Consolidation and Improvement of Rural Power Grids (Fa Gai Tou Zi [2021] No. 458) (《國家發展和改革委關於下達農村電網鞏固提升2021年中央預算內投資計劃的通知》(發改投資[2021]458號文)), the National Development and Reform Commission has issued the 2021 Central Budgetary Investment Plan for the Consolidation and Improvement of Rural Power Grids in Sichuan Province in order to consolidate and improve the level of power supply stability in Sichuan Province and accelerate the process of equalization of urban and rural power supply services. As important operators to serve local economic development and ensure power supply for rural residents, the six county-level power supply enterprises of the Group have the responsibility and obligation to participate in the implementation of the Power Grid Consolidation and Improvement Project.

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 organization and implementation of rural power grid projects. As such, Hydropower Group conducted public tender and finally determined that the winning bidder for the design and construction general contracting section of the 2021 Rural Power Grid Consolidation and Improvement Engineering 10kV and Below Project is a consortium consisting of Sichuan Energy Construction and Sichuan Energy Power; the winning bidder for the equipment and materials procurement section of the 2021 Rural Power Grid Consolidation and Improvement Engineering 10kV and Below Project is Materials Industry Group; the winning bidder for the construction supervision section I of the 2021 Rural Power Grid Consolidation and Improvement Engineering is Sichuan Yilian; and the winning bidder for the equipment and materials supply, installation and commissioning and design section of the Power Grid Consolidation and Improvement Project is a consortium consisting of Sun Technology and Beijing Forever. The tendering process was in full 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.

Moreover, Sichuan Energy Construction, Sichuan Energy Power, Materials Industry Group, Sichuan Yilian and Sun Technology are all well-known service providers in power infrastructure construction industry in China. For instance, Sichuan Energy Construction, Sichuan Yilian and Sun Technology have participated in the construction of the Company's power grid projects for many times, whereas Sichuan Energy Power and Materials Industry Group 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 subcontractors 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 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 Contracts) are of the view that the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 its Shareholders as a whole.

As Mr. Xiong Lin, Mr. Li Hui and Ms. Xie Peixi are the Directors nominated by Energy Investment Group, they have abstained from voting on the Board resolutions to approve the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract voluntarily. Saved and except for the aforesaid, none of the Directors has any material interest in the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract and was required to abstain from voting on the Board resolutions in relation to the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract.

LISTING RULES IMPLICATIONS

EPC Contract

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company, and certain Other EPC Contract Implementation Units (as defined below) 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 Power 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 Power and certain Other EPC Contract Implementation Units (as defined below) are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract 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 Equipment and Materials Procurement Contract Implementation Units (as defined below) 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 Equipment and Materials Procurement Contract Implementation Units (as defined below) 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, and certain Other Construction Supervision Contract Implementation Units (as defined below) are associates of Hydropower Group. Sichuan Yilian is indirectly held as to approximately 33.52% by Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Yilian and certain Other Construction Supervision Contract Implementation Units (as defined below) are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Engineering Construction Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Automation EPC Contract

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company, certain Other Automation EPC Contract Implementation Units (as defined below) are associates of Hydropower Group. Sun Technology is a direct subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sun Technology and certain Other Automation EPC Contract Implementation Units (as defined below) are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Automation EPC Contract 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 Contracts on an aggregated basis exceed 5% but below 25% and the total consideration is more than HK\$10,000,000, the transactions contemplated thereunder constitute (i) discloseable transactions which are subject to the reporting and announcement requirement under Chapter 14 of the Listing Rules; and (ii) connected transactions which are subject to the 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 Contracts will not be more than 15% of the contract price. If the actual final settlement price of the Contracts exceeds the estimated final settlement price, the Company will make relevant announcement in due course and fulfill the relevant requirements under the Listing Rules (if applicable).

INFORMATION OF PARTIES INVOLVED

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.

LETTER FROM THE BOARD

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 in the PRC 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 in the PRC on 3 April 1998 and a wholly-owned subsidiary of the Company and engaged in power supply and production and sale of electrical equipment.

Other EPC Contract Implementation Units

Other EPC Contract Implementation Units comprise Sichuan Hydropower Group Jiangyuan Electricity Co., Ltd*, Sichuan Pingwu Electricity (Group) Co., Ltd*, Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd*, Luzhou Yuyu Electricity Co., Ltd*, Sichuan Guangan AAA Public Co., Ltd*, Sichuan Yuechi Aizhong Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Wanyuan City Longyuan Electricity Co., Ltd*, Dazhou Electricity Group Co., Ltd*, Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Group Dazhu Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Qu County Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Yongan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd*, and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group (“**Other EPC Contract Implementation Units**”).

LETTER FROM THE BOARD

Other Equipment and Materials Procurement Contract Implementation Units

Other Equipment and Materials Procurement Contract Implementation Units comprise Sichuan Hydropower Group Jiangyuan Electricity Co., Ltd*, Sichuan Pingwu Electricity (Group) Co., Ltd*, Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd*, Luzhou Yuyu Electricity Co., Ltd*, Sichuan Guangan AAA Public Co., Ltd*, Sichuan Yuechi Aizhong Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Wanyuan City Longyuan Electricity Co., Ltd*, Dazhou Electricity Group Co., Ltd*, Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Group Dazhu Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Qu County Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Yongan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd* and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group (the “**Other Equipment and Materials Procurement Contract Implementation Units**”).

Other Construction Supervision Contract Implementation Units

Other Construction Supervision Contract Implementation Units comprise Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd* and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group (the “**Other Construction Supervision Contract Implementation Units**”).

Other Automation EPC Contract Implementation Units

Other Automation EPC Contract Implementation Units comprise Sichuan Hydropower Group Jiangyuan Electricity Co., Ltd*, Sichuan Pingwu Electricity (Group) Co., Ltd*, Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd*, Luzhou Yuyu Electricity Co., Ltd, Sichuan Hydropower Investment and Management Group Wanyuan City Longyuan Electricity Co., Ltd*, Dazhou Electricity Group Co., Ltd*, Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Group Dazhu Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Qu County Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Yongan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd*, and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group (the “**Other Automation EPC Contract Implementation Units**”).

LETTER FROM THE BOARD

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.

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 and engaged in project planning, project investment, design and consulting, construction, operation in engineering construction.

Sichuan Energy Power

Sichuan Energy Power is a company established in the PRC on 13 May 2016 and a wholly-owned subsidiary of Hydropower Group and engaged in power generation and sale, operation of power grid and consulting, design and construction of power engineering construction.

Materials Industry Group

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

Sichuan Yilian

Sichuan Yilian is a limited liability company established in the PRC on 3 June 2002 and is indirectly owned as to approximately 33.52% by Energy Investment Group, directly owned as to approximately 66.48% by four individual investors namely Chen Wei, Yan Jingsong, Li Zhixiang and Chen Zhiqi, all of whom are independent third parties.

LETTER FROM THE BOARD

Sun Technology

Sun Technology is a limited liability company established in the PRC on 10 December 1992 and is owned as to approximately 67% by Hydropower Group, approximately 25% by Sichuan LenSyn Technology Co., Ltd.* (四川能信科技股份有限公司) and approximately 8% by Mr. Li Guangying. It is primarily engaged in the development and sale of computer software and hardware. Sichuan LenSyn Technology Co., Ltd. is a company with issued shares quoted on the National Equities Exchange and Quotations (stock code: 837522) and is ultimately controlled by Mr. Li Weiyang.

Beijing Forever

Beijing Forever is a company established in the PRC as a joint stock company with limited liability on 23 November 2000 whose shares are listed on ChiNext of the Shenzhen Stock Exchange (stock code: 300365.SZ) and is ultimately controlled by Mr. Jiang Chunhua.

THE EGM

The EGM will be held at Conference Room, 10th Floor, No. 778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on 19 April 2022 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 30 March 2022.

Sun Technology is owned as to approximately 67% by Hydropower Group and Sichuan Energy Power is wholly owned by Hydropower Group. 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 and indirectly owns approximately 33.52% of Sichuan Yilian. As a result, each of Energy Investment Group, Sichuan Development Co. and their respective associates are regarded as having a material interest in the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract and therefore will abstain from voting on the resolution in relation to the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract at the EGM. As at the Latest Practicable Date, Hydropower Group held 394,398,400 Domestic Shares (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 Domestic Shares (representing approximately 36.71% of the total issued Shares) held by Hydropower Group. In addition, Sichuan Development Co. directly held 24,937,600 Domestic Shares (representing approximately 2.32% of the total issued Shares) of the Company (and therefore Sichuan Development Co is interested in 419,336,000 Domestic 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 resolution in relation to the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 and Unlisted Foreign Shares on or before Monday, 11 April 2022.

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.

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.

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 EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract and the transactions contemplated thereunder, which is set out on pages 30 to 61 of this circular, the Independent Board Committee is of the opinion that the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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.

LETTER FROM THE BOARD

Having considered the reasons set out herein, the Directors are of the opinion that the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 to be proposed at the EGM.

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.*
Xiong Lin
Chairman

* *For identification purposes only*



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)

(the “Company”)

(Stock Code: 01713)

30 March 2022

To the Independent Shareholders,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE
(1) EPC CONTRACT;
(2) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(3) CONSTRUCTION SUPERVISION CONTRACT; AND
(4) AUTOMATION EPC CONTRACT**

Dear Sir or Madam,

We refer to the circular of the Company dated 30 March 2022 (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, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract and the transactions contemplated thereunder.

We wish to draw your attention to the letter from Independent Financial Adviser set out on pages 30 to 61 of the Circular and the letter from the Board set out on pages 6 to 27 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, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract and its conclusion and advice, we concur with the view of the Independent Financial Adviser and consider that the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Kin Kwong Kwok Gary

Independent

Non-Executive Director

He Zhen

Independent

Non-Executive Director

Wang Peng

Independent

Non-Executive Director

Li Jian

Independent

Non-Executive Director

* *For identification purposes only*

LETTER FROM 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 EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract and the transactions contemplated thereunder.



30 March 2022

*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 THE
(1) EPC CONTRACT;
(2) EQUIPMENT AND MATERIALS PROCUREMENT CONTRACT;
(3) CONSTRUCTION SUPERVISION CONTRACT; AND
(4) AUTOMATION EPC CONTRACT**

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 EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 30 March 2022 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 17 December 2021 in respect of, among other things, the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract (collectively, the “**Contracts**”) and the transactions contemplated thereunder.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On 17 December 2021, after trading hours, the Implementation Units (all of which are wholly-owned subsidiaries of the Company) entered into (i) the EPC Contract with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Power, pursuant to which, Sichuan Energy Construction and Sichuan Energy Power 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; (iii) the Construction Supervision Contract with, among others, Hydropower Group and Sichuan Yilian, pursuant to which, Sichuan Yilian agreed to provide construction supervision service for the Power Grid Consolidation and Improvement Project; and (iv) the Automation EPC Contract with, among others, Hydropower Group, Sun Technology and Beijing Forever, pursuant to which, Sun Technology and Beijing Forever agreed to provide engineering, procurement and construction services for the Power Grid Consolidation and Improvement Project.

As at the Latest Practicable Date, Hydropower Group is one of the controlling shareholders of the Company and certain (i) Other EPC Contract Implementation Units; (ii) Other Equipment and Materials Procurement Contract Implementation Units; (iii) Other Construction Supervision Contract Implementation Units; and (iv) Other Automation EPC Contract Implementation Units (collectively, the **“Other Implementation Units”**) are associates of Hydropower Group.

As at the Latest Practicable Date, (i) Sichuan Energy Construction is a direct subsidiary of; (ii) Materials Industry Group is a wholly-owned subsidiary of; and (iii) Sichuan Yilian is indirectly held as to approximately 33.52% by Energy Investment Group, which is one of the controlling shareholders of the Company.

As at the Latest Practicable Date, (i) Sichuan Energy Power is a wholly-owned subsidiary of; and (ii) Sun Technology is a direct subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company.

Accordingly, Hydropower Group, Sichuan Energy Construction, Materials Industry Group, Sichuan Yilian, Sichuan Energy Power, Sun Technology 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 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 Contracts on an aggregated basis exceed 5% but below 25% and the total consideration is more than HK\$10,000,000, the transactions contemplated thereunder constitute (i) discloseable transactions which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transactions of the Company which are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

An EGM will be convened for Independent Shareholders to consider, and if thought fit, approve the discloseable and connected transactions contemplated under the Contracts. As at the Latest Practicable Date, (i) Sun Technology is owned as to approximately 67% by Hydropower Group and Sichuan Energy Power is wholly owned by Hydropower Group; (ii) Hydropower Group is owned as to approximately 77.74% by Energy Investment Group, which is in turn wholly-owned by Sichuan Development Co.; and (iii) Energy Investment Group is the holding company of Sichuan Energy Construction and Materials Industry Group and indirectly owns approximately 33.52% of Sichuan Yilian. As a result, each of Energy Investment Group, Sichuan Development Co. and their respective associates are regarded as having a material interest in the Contracts and therefore will abstain from voting on the resolution in relation to the Contracts at the EGM. As at the Latest Practicable Date, Hydropower Group held 394,398,400 Domestic Shares (representing approximately 36.71% of the total issued Shares) and Hydropower Group is held as to 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 Domestic Shares (representing approximately 36.71% of the total issued Shares) held by Hydropower Group. In addition, Sichuan Development Co. directly held 24,937,600 Domestic Shares (representing approximately 2.32% of the total issued Shares) of the Company (and therefore Sichuan Development Co is interested in 419,336,000 Domestic 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 resolution in relation to the Contracts at the EGM.

As Mr. Xiong Lin, Mr. Li Hui and Ms. Xie Peixi are the Directors nominated by Energy Investment Group, they have abstained from voting on the Board resolutions to approve the Contracts voluntarily. Saved and except for the aforesaid, none of the Directors has any material interest in the Contracts and were required to abstain from voting on the Board resolutions in relation to the Contracts.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng and Prof. Li Jian, has been established to advise the Independent Shareholders as to whether the terms of the 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 the engineering, procurement and construction contract and the transactions contemplated thereunder as stated in the circular of the Company dated 9 July 2021, 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 Contracts and the transactions contemplated thereunder.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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.

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 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 and engaged in project planning, project investment, design and consulting, construction and operation in engineering construction.

Sichuan Energy Power

Sichuan Energy Power is a company established in the PRC on 13 May 2016 and a wholly-owned subsidiary of Hydropower Group and engaged in power generation and sale, operation of power grid and consulting, design and construction of power engineering construction.

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.

Sichuan Yilian

Sichuan Yilian is a limited liability company established in the PRC on 3 June 2002 and is indirectly owned as to approximately 33.52% by Energy Investment Group, directly owned as to approximately 66.48% by four individual investors namely Chen Wei, Yan Jingsong, Li Zhixiang and Chen Zhiqi, all of whom are independent third parties.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Sun Technology

Sun Technology is a limited liability company established in the PRC on 10 December 1992 and is owned as to approximately 67% by Hydropower Group, approximately 25% by Sichuan LenSyn Technology Co., Ltd.* (四川能信科技股份有限公司) and approximately 8% by Mr. Li Guangying. It is primarily engaged in the development and sale of computer software and hardware. Sichuan LenSyn Technology Co., Ltd. is a company with issued shares quoted on the National Equities Exchange and Quotations (stock code: 837522) and is ultimately controlled by Mr. Li Weiyang.

Beijing Forever

Beijing Forever is a company established in the PRC as a joint stock company with limited liability on 23 November 2000 whose shares are listed on ChiNext of the Shenzhen Stock Exchange (stock code: 300365.SZ) and is ultimately controlled by Mr. Jiang Chunhua.

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 in the PRC 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Xingwen Electricity

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

Other EPC Contract Implementation Units

Other EPC Contract Implementation Units comprise Sichuan Hydropower Group Jiangyuan Electricity Co., Ltd*, Sichuan Pingwu Electricity (Group) Co., Ltd*, Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd*, Luzhou Yuyu Electricity Co., Ltd*, Sichuan Guangan AAA Public Co., Ltd*, Sichuan Yuechi Aizhong Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Wanyuan City Longyuan Electricity Co., Ltd*, Dazhou Electricity Group Co., Ltd*, Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Group Dazhu Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Qu County Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Yongan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd*, and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group.

Other Equipment and Materials Procurement Contract Implementation Units

Other Equipment and Materials Procurement Contract Implementation Units comprise Sichuan Hydropower Group Jiangyuan Electricity Co., Ltd*, Sichuan Pingwu Electricity (Group) Co., Ltd*, Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd*, Luzhou Yuyu Electricity Co., Ltd*, Sichuan Guangan AAA Public Co., Ltd*, Sichuan Yuechi Aizhong Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Wanyuan City Longyuan Electricity Co., Ltd*, Dazhou Electricity Group Co., Ltd*, Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Group Dazhu Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Qu County Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Yongan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd* and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group.

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Other Construction Supervision Contract Implementation Units

Other Construction Supervision Contract Implementation Units comprise Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd* and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group.

Other Automation EPC Contract Implementation Units

Other Automation EPC Contract Implementation Units comprise Sichuan Hydropower Group Jiangyuan Electricity Co., Ltd*, Sichuan Pingwu Electricity (Group) Co., Ltd*, Sichuan Hydropower Investment and Management Group Qingchuan Electricity Co., Ltd*, Luzhou Yuyu Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Wanyuan City Longyuan Electricity Co., Ltd*, Dazhou Electricity Group Co., Ltd*, Sichuan Hydropower Investment and Management Group Dege Gesaer Electricity Co., Ltd*, Sichuan Hydropower Group Dazhu Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Kaijiang Mingyue Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Zizhong Longyuan Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Qu County Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Yong'an Electricity Co., Ltd*, Sichuan Hydropower Investment and Management Group Meigu Electricity Co., Ltd*, Sichuan Zhaojue Electricity Co., Ltd*, Sichuan Hydropower Group Jinyang Electricity Co., Ltd*, and Sichuan Hydropower Investment and Management Group Puge Electricity Co., Ltd*, all of which are established in the PRC principally engaged in power generation and supply and are controlled or invested by Hydropower Group.

(b) Background of the Power Grid Consolidation and Improvement Project

As disclosed in the Letter from the Board, the Power Grid Consolidation and Improvement Project (which include the 10kV and Below Project and the automation improvement project) is part of the rural power grid construction projects which are policy-directed projects for the benefits of people (惠民工程) implemented by and under the guidance of the PRC government in order to improve the electricity consumption level and living standards in the rural areas of the PRC. For further background of the rural power grid projects and the policies thereunder, please refer to the paragraph headed "Reasons for and benefits for entering into the Contracts" below.

With respect to the 10kV and Below Project, the project covers 26 counties (city, district) in the PRC, including Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County which the Implementation Units are located, and comprises the construction and alteration of 10kv transmission lines, distribution transformers and low voltage lines.

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With respect to the automation improvement project, the project covers 22 counties (district), including the aforesaid counties/districts that the Implementation Units are located, and comprises the rural grid dispatching automation engineering, rural grid distribution automation main station system engineering and network security protection engineering for the rural grid dispatching system.

As aforementioned, the Power Grid Consolidation and Improvement Project are conducted over different counties (city, district). Generally, based on the parties' agreed work allocation arrangement, each of the implementation units under 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 would bear the costs of the projects conducted in Xuzhou District, Gao County, Gong County, Junlian County, Pingshan County and Xingwen County, and hold ownership of such part of the assets upon completion of the relevant construction it is responsible for. The amount of the costs to be shared under each 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). As the location, scope and the scale of the works to be carried out in each county (city, district) differ across each Contract, the proportion of the costs to be shared by the Group is therefore different under each Contract.

(c) Reasons for and benefits for entering into the Contracts

As disclosed in the Letter from the Board, according to the relevant requirements of the Notice of the National Development and Reform Commission on the Issuance of the 2021 Central Budgetary Investment Plan for the Consolidation and Improvement of Rural Power Grids (Fa Gai Tou Zi [2021] No. 458) (《國家發展和改革委關於下達農村電網鞏固提升2021年中央預算內投資計劃的通知》(發改投資[2021]458號文)), the National Development and Reform Commission has issued the 2021 Central Budgetary Investment Plan for the Consolidation and Improvement of Rural Power Grids in Sichuan Province in order to consolidate and improve the level of power supply stability in Sichuan Province and accelerate the process of equalization of urban and rural power supply services. As important operators to serve local economic development and ensure power supply for rural residents, the six county-level power supply enterprises under the Company have the responsibility and obligation to participate in the implementation of the Power Grid Consolidation and Improvement Project.

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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 organization and implementation of rural power grid projects. As such, the Hydropower Group conducted public tender and finally determined that the winning bidder for the design and construction general contracting section of the 2021 Rural Power Grid Consolidation and Improvement Engineering 10kV and Below Project is a consortium consisting of Sichuan Energy Construction and Sichuan Energy Power; the winning bidder for the equipment and materials procurement section of the 2021 Rural Power Grid Consolidation and Improvement Engineering 10kV and Below Project is Materials Industry Group; the winning bidder for the construction supervision section I of the 2021 Rural Power Grid Consolidation and Improvement Engineering is Sichuan Yilian; and the winning bidder for the equipment and materials supply, installation and commissioning and design section of the Power Grid Consolidation and Improvement Project is a consortium consisting of Sun Technology and Beijing Forever. The tendering process was in full 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.

Moreover, Sichuan Energy Construction, Sichuan Energy Power, Materials Industry Group, Sichuan Yilian and Sun Technology are all well-known service providers in power infrastructure construction industry in China. For instance, Sichuan Energy Construction, Sichuan Yilian and Sun Technology have participated in the construction of the Company's power grid projects for many times, whereas Sichuan Energy Power and Materials Industry Group 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 subcontractors 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.

We have conducted internet search on Sichuan Energy Construction, Sichuan Energy Power, Materials Industry Group, Sichuan Yilian and Sun Technology 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. Apart from the 10kV or Below Project and the Power Grid Consolidation and Improvement Project, the Group has numerous experiences in cooperating with Sichuan Energy Construction, Sichuan Yilian and Sun Technology, respectively, 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 construction supervision contract for Wangchang 220kV transformer substation construction project in Pingshan County in July 2019 with Sichuan Yilian; and (iii) the equipment and material procurement contract in March 2021 with Sun Technology. We have obtained and reviewed the relevant previous contracts of the Group with Sichuan Energy Construction, Sichuan Yilian and Sun Technology to understand their previous experience and scope of services.

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The Directors (excluding the independent non-executive Directors) are of the view that the terms and conditions of the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 its 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 Power Grid Consolidation and Improvement Project (which include the 10kV and Below Project and the automation improvement project); (ii) Sichuan Energy Construction, Sichuan Energy Power, Materials Industry Group, Sichuan Yilian and Sun Technology 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 Power, Materials Industry Group, Sichuan Yilian and Sun Technology 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 Contracts is in compliance with the 2021 Central Budgetary Investment Plan for the Consolidation and Improvement of Rural Power Grids.

2. The Contracts

A. *The EPC Contract*

The principal terms of the EPC Contract are set out below:

- | | |
|-----------------|--|
| Date: | 17 December 2021 (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 EPC Contract Implementation Units; |
| | (8) Hydropower Group (as contractor); |

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(9) Sichuan Energy Construction (as subcontractor); and

(10) Sichuan Energy Power (as subcontractor).

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 EPC Contract shall become effective subject to the satisfaction of the following conditions precedent:

1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee;
3. the power grid investment contract among Hydropower Group, the Implementation Units and Other EPC Contract Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other EPC Contract 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.

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Period of warranty: 24 months (commencing from the issuance of the project handover certificate)

Contract price: RMB619,347,209 (out of which the Implementation Units shall share RMB156,633,031) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

Pricing: The contract price was the successful tender price offered by Sichuan Energy Construction and Sichuan Energy Power in the public tender and was accepted by the bid evaluation committee (評標委員會) for the 10kV and Below Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including (i) among others from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) among others 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 maximum tender price for the 10kV and Below Project was set by the Group and the third-party professional institution engaged by the Group. The maximum tender price was fixed according to the calculation mechanism of the price determination and formula for each category of service in accordance with the documents issued by the governmental authorities, including but not limited to Provision for Compilation and Calculation of Budgets for 20kV and Below Power Grid Construction (2016 version) (《20kV及以下配電網工程建設預算編製與計算規定》(2016年版)) and Budget Quota for 20kV and Below Power Grid Construction (2016 version) (《20kV及以下配電網工程預算定額》(2016年版)), and feasibility study report of the 10kV and Below Project, which also makes reference to the estimated amount of the EPC works of the 10kV and Below Project and the price of the comparable works available in the market.

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Payment terms:

The contract price for survey and design shall be paid in the following manner:

- (1) up to 80% of the contract price for survey and design after confirmation of the construction drawing design;
- (2) up to 90% of the contract price for survey and design after completion and acceptance of the project;
- (3) up to 97% of the contract price for survey and design after settlement and audit;
- (4) the remaining 3% of the contract price for survey and design will be served as quality warranty and shall be paid after the expiry of warranty period.

The contract price for construction shall be paid in the following manner:

- (1) up to 85% of the contract price for construction based on the actual amount of the construction work completed each month;
- (2) up to 90% of the contract price for construction after completion and acceptance of the project;
- (3) up to 97% of the contract price for construction after settlement and audit;
- (4) the remaining 3% of the contract price for construction will be served as quality warranty and shall be paid after the expiry of warranty period.

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The materials fees shall be paid in the following manner:

- (1) up to 90% of the materials fees based on the actual amount of materials supplied;
- (2) up to 95% of the materials fees based on the actual amount of materials supplied after completion and acceptance;
- (3) up to 97% of the materials fees based on the actual amount of materials supplied after settlement and audit;
- (4) the remaining 3% of the materials fees based on the actual amount of materials supplied will be served as quality warranty and shall be paid 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 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 2 September 2021. The tendering period was open for 21 days from 3 September 2021 to 23 September 2021. Upon the closing of the tender application, Hydropower Group received four bidding proposals (the “**EPC Bidding Proposals**”) from four bidders, of which one from the consortium consisting of Sichuan Energy Construction and Sichuan Energy Power (the “**EPC Consortium**”) and three from independent third parties.

For assessing the EPC Bidding Proposals submitted by all bidders, the evaluation panel (the “**EPC 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) 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.

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The EPC Evaluation Panel confirmed that three out of four of the EPC Bidding Proposals had fulfilled the requirements as set out in the EPC Tender Notice and related documents (the “**EPC Tender Documents**”). The evaluation criteria for the business aspects included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects 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 Evaluation Report**”) prepared by the EPC Evaluation Panel was issued, of which the EPC Consortium was shortlisted and its bidding proposal was fully evaluated. The bidding proposal submitted by the EPC Consortium has scored the highest among the bidders, in terms of most of the evaluation criteria as supported by the EPC Evaluation Report.

On 24 September 2021, Hydropower Group has notified the EPC 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>.

We have reviewed the EPC Tender Documents and noted that the EPC 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 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 Tender Documents, which are consistent with the principal terms stated in the EPC Contract entered into with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Power. As all bidders, including independent bidders agreed on the payment terms, we concur with the Directors’ view that the payment terms in the EPC Contract are fair and reasonable and in line with industry practice.

It is also noted in the bidding proposal of the EPC 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 Power shall be responsible for the surveying and designing works of the 10kV and Below Project. Based on the quotations adopted in the EPC Contract, out of the original contract sum of RMB619,347,209 (subject to adjustment based on the completion and settlement audit report), (i) RMB581,266,244 is for the construction works; (ii) RMB34,383,524 is for the surveying and design works; and (iii) RMB3,697,441 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 Contract.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have obtained and reviewed the EPC Evaluation Report, and noted that the EPC Evaluation Panel recommended the EPC 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. 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 Evaluation Report were consistent.

B. The Equipment and Materials Procurement Contract

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

Date:	17 December 2021 (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 Equipment and Materials Procurement Contract Implementation Units; (8) Hydropower Group (as contractor); and (9) Materials Industry Group (as subcontractor).
Project:	the 10kV and Below Project
Scope of service:	Equipment and materials procurement

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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

1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee;
3. the power grid investment contract among Hydropower Group, the Implementation Units and Other Equipment and Materials Procurement Contract Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other Equipment and Materials Procurement Contract 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.

Period of warranty: 12 months (commencing from the commissioning of the project) or 18 months (commencing from the delivery of the products)

Contract price: RMB655,776,239.19 (out of which the Implementation Units shall share RMB161,213,958.39) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Pricing:

The contract price was the successful tender price offered by Materials Industry Group in the public tender and was accepted by the bid evaluation committee (評標委員會) for the 10kV and Below Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including (i) among others from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) among others from the technical aspects, the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms:

The contract price shall be paid in the following manner:

- (1) 30% of the contract price within 15 days after signing the contract;
- (2) 67% of the contract price within 7 working days after acceptance of the equipment and materials supplied and the issuance of value-added tax invoice;
- (3) the remaining 3% of the contract price will be served as quality warranty and shall be paid within 14 days after the expiry of 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 Notices**”) were 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 2 September 2021. The tendering period was open for 21 days from 3 September 2021 to 23 September 2021. 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) 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 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 included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects 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 24 September 2021, 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 EMP Contract entered into with, among others, Hydropower Group and Materials Industry Group. As all bidders, including independent bidders agreed on the payment terms, we concur with the Directors’ view that the payment terms in the EMP Contract are fair and reasonable and in line with industry practice.

We noted that the original contract sum of RMB619,347,209 (subject to adjustment based on the completion and settlement audit report) as set out in the EMP 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 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. 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

C. The Construction Supervision Contract

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

Date: 17 December 2021 (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 Construction Supervision Contract Implementation Units;
- (8) Hydropower Group (as contractor); and
- (9) Sichuan Yilian (as subcontractor).

Project: the Power Grid Consolidation and Improvement Project

Scope of service: Construction supervision

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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

1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee;
3. the power grid investment contract among Hydropower Group, the Implementation Units and Other Construction Supervision Contract Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other Construction Supervision Contract 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.

Period of warranty: 12 months

Contract price: RMB7,352,100 (out of which the Implementation Units shall share RMB4,143,500) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Pricing:

The contract price was the successful tender price offered by Sichuan Yilian in the public tender and was accepted by the bid evaluation committee (評標委員會) for the Power Grid Consolidation and Improvement Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including (i) among others from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) among others from the technical aspects, the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms:

The contract price shall be paid in the following manner:

- (1) up to 85% of the contract price every two months based on the actual amount of the construction work completed;
- (2) up to 97% of the contract price after completion of the settlement and audit of construction work;
- (3) the remaining 3% of the contract price will be served as quality warranty money and shall be paid 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 construction supervision services for the 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臺(四川省)》) at <http://ggzyjy.sc.gov.cn> on 2 September 2021. The tendering period was open for 27 days from 3 September 2021 to 29 September 2021. Upon the closing of the tender application, Hydropower Group received seven bidding proposals (the “**Construction Supervision Bidding Proposals**”) from seven bidders, of which one from Sichuan Energy Construction and six from independent third parties.

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) 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 INDEPENDENT FINANCIAL ADVISER

The Construction Supervision Evaluation Panel confirmed that all seven 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 included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects 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 Power Grid Consolidation and Improvement Project.

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

On 8 October 2021, Hydropower Group has notified Sichuan Yilian 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>.

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 Sichuan Yilian. As 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.

We have obtained and reviewed the Construction Supervision Evaluation Report, and noted that the Construction Supervision Evaluation Panel recommended Sichuan Yilian 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 Power Grid Consolidation and Improvement Project. 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.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

D. *The Automation EPC Contract*

The principal terms of the Automation EPC Contract are set out below:

Date:	17 December 2021 (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 Automation EPC Contract Implementation Units; (8) Hydropower Group (as contractor); (9) Sun Technology (as subcontractor); and (10) Beijing Forever (as subcontractor).
Project:	the Power Grid Consolidation and Improvement Project (automation improvement project)
Scope of service:	Procurement and supply of equipment and materials; installation and trial operation and design for automation improvement engineering
Construction Period:	203 calendar days

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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

1. the legal representative or authorized agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee;
3. the power grid investment contract among Hydropower Group, the Implementation Units and Other Automation EPC Contract Implementation Units having been executed and become effective;
4. the self-financed funds (if any) of the Implementation Units and Other Automation EPC Contract 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.

Period of warranty: 2 years (if the manufacturers of the products provide warranty period of over 2 years, then such period of warranty is adopted)

After-sales service: 3 years (commencing from the date of acceptance of Hydropower Group)

Contract price: RMB46,960,000 (out of which the Implementation Units shall share RMB12,743,115) subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company's past experience and estimation, the final settlement amount shall not be more than 15% of the said contract price.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Pricing:

The contract price was the successful tender price offered by Sun Technology and Beijing Forever in the public tender and was accepted by the bid evaluation committee (評標委員會) for the Power Grid Consolidation and Improvement Project after thorough evaluation, pursuant to the relevant rules and regulations of the PRC. When selecting the successful bidder, the bid evaluation committee had considered a basket of factors, including (i) among others from the business aspects, the bidders' background, experience, credibility, and the bidding price for the required services; and (ii) among others from the technical aspects, the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team of the bidder to be engaged.

Payment terms:

The contract price for equipment and materials procurement shall be paid in the following manner:

- (1) 30% of the contract price for equipment and materials procurement after the signing of the contract and within 14 days after receiving the request;
- (2) up to 55% of the contract price for equipment and materials procurement after delivery of equipment and materials and within 30 days of the issuance of value-added tax invoice;
- (3) up to 97% of the contract price for equipment and materials procurement after acceptance and settlement and within 30 days of the issuance of value-added tax invoice;
- (4) the remaining 3% of the contract price for equipment and materials procurement will be served as quality warranty and shall be paid after the expiry of warranty period.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The contract price for installation and trial operation shall be paid in the following manner:

- (1) 30% of the contract price for installation and trial operation after the signing of the contract and within 14 days after receiving the request;
- (2) up to 55% of the contract price for installation and trial operation after completion of installation and trial operation and within 30 days of the issuance of value-added tax invoice;
- (3) up to 97% of the contract price for installation and trial operation after settlement and within 30 days of the issuance of value-added tax invoice;
- (4) the remaining 3% of the contract price for installation and trial operation will be served as quality warranty and shall be paid after the expiry of warranty period.

The contract price for design shall be paid in the following manner:

- (1) 30% of the contract price for design after the signing of the contract and within 14 days after receiving the request;
- (2) 30% of the contract price for design after the submission of preliminary design and related information and within 30 days of the issuance of value-added tax invoice;
- (3) 35% of the contract price for design after submission of construction drawing design and related information and within 30 days of the issuance of value-added tax invoice;
- (4) the remaining 5% of the contract price for design after completion of the project.

LETTER FROM 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 procurement and supply of equipment and materials; installation and trial operation and design for automation improvement engineering for the Power Grid Consolidation and Improvement Project (automation improvement project). The relevant tender notice (the “**Automation EPC 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 2 September 2021. The tendering period was open for 27 days from 3 September 2021 to 29 September 2021. Upon the closing of the tender application, Hydropower Group received four bidding proposals (the “**Automation EPC Bidding Proposals**”) from four bidders, of which one from consortium consisting of Sun Technology and Beijing Forever (the “**AEPC Consortium**”) and three from independent third parties.

For assessing the Automation EPC Bidding Proposals submitted by all bidders, the Automation EPC 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 “**Automation 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) 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 Automation EPC Evaluation Panel confirmed that all four of the Automation EPC Bidding Proposals had fulfilled the requirements as set out in the Automation EPC Tender Notice and related documents (the “**Automation EPC Tender Documents**”). The evaluation criteria for the business aspects included the bidders’ background, experience, credibility, and the bidding price for the required services; while the technical aspects included the construction timeliness, quality control and assurance, and the qualification(s) possessed by the professional team to be engaged for the Power Grid Consolidation and Improvement Project.

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On 30 September 2021, Hydropower Group has notified the AEPC 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>.

We have reviewed the Automation EPC Tender Documents and noted that the Automation EPC 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 Automation EPC 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 Automation EPC Tender Documents, which are consistent with the principal terms stated in the Automation EPC Contract entered into with, among others, Hydropower Group, Sun Technology and Beijing Forever. As all bidders, including independent bidders agreed on the payment terms, we concur with the Directors' view that the payment terms in the Automation EPC Contract are fair and reasonable and in line with industry practice.

It is also noted in the bidding proposal of the AEPC Consortium that (i) Sun Technology shall be responsible for the procurement and supply of equipment and materials; installation and trial operation of the Power Grid Consolidation and Improvement Project (automation improvement project) (other than design); and (ii) Beijing Forever shall be responsible for the design for automation improvement engineering of the Power Grid Consolidation and Improvement Project (automation improvement project). Based on the quotations adopted in the Automation EPC Contract, out of the original contract sum of RMB46,960,000 (subject to adjustment based on the completion and settlement audit report), (i) RMB43,660,636 is for the procurement of equipment and materials; (ii) RMB1,980,247 is for the installation and trial operation; and (iii) RMB1,319,117 is for the 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 Automation EPC Contract.

We have obtained and reviewed the Automation EPC Evaluation Report, and noted that the Automation EPC Evaluation Panel recommended the AEPC 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 Power Grid Consolidation and Improvement Project. 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 Automation EPC Evaluation Report were consistent.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

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 EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract as stated above in particular the 10kV and Below Project and Power Grid Consolidation and Improvement Project are conducted in compliance with the 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)) and the Notice of the National Development and Reform Commission on the Issuance of the 2021 Central Budgetary Investment Plan for the Consolidation and Improvement of Rural Power Grids (Fa Gai Tou Zi [2021] No. 458) (《國家發展和改革委關於下達農村電網鞏固提升2021年中央預算內投資計劃的通知》(發改投資[2021]458號文)),

we are of the view that the EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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 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 EPC Contract, the Equipment and Materials Procurement Contract, the Construction Supervision Contract and the Automation EPC Contract 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.

GENERAL INFORMATION**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 268,800,000 H Shares listed on the Stock Exchange, 707,518,500 Domestic Shares and 98,039,200 Unlisted Foreign 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 2021, 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 Co. (Note 1)	Domestic Shares	419,336,000 (L)	Beneficial owner and interest of controlled corporations	59.27	39.03
Energy Investment Group (Note 1)	Domestic Shares	394,398,400 (L)	Interest of controlled corporations	55.74	36.71
Hydropower Group	Domestic Shares	394,398,400 (L)	Beneficial owner	55.74	36.71
China Power International Development Limited	Unlisted Foreign Shares	98,039,200 (L)	Beneficial owner	100	9.13
China Three Gorges Corporation* (中國長江三峽集團有限公司) (Note 2)	Domestic Shares	98,039,200 (L)	Interest of controlled corporations	13.86	9.13
Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司)	Domestic Shares	98,039,200 (L)	Beneficial owner	13.86	9.13
Gao County State-owned Assets Operation Co., Ltd.* (高縣國有資產經營管理有限責任公司)	Domestic Shares	92,406,000 (L)	Beneficial owner	13.06	8.60
Yibin Development Holding Group Co., Ltd.* (宜賓發展控股集團有限公司)	Domestic Shares	65,359,500 (L)	Beneficial owner	9.24	6.08
Tian Qiu (Note 3)	H Shares	62,146,000 (L)	Interest of controlled corporations and interest of spouse	23.12	5.78
Wang Wenxiang (Note 3)	H Shares	62,146,000 (L)	Interest of controlled corporations and interest of spouse	23.12	5.78
Sichuan Jinneng Energy Group Co., Ltd.* (四川金能能源集團有限公司) (Note 3)	H Shares	62,146,000 (L)	Interest of controlled corporations	23.12	5.78

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 (%)
Jinneng Holding (Hong Kong) Limited	H Shares	62,146,000 (L)	Beneficial owner	23.12	5.78
Beijing Forever	H Shares	55,366,000 (L)	Beneficial owner	20.60	5.15
Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司)(Note 4)	H Shares	46,326,000 (L)	Interest of controlled corporations	17.23	4.31
SCIG International Limited	H Shares	46,326,000 (L)	Beneficial owner	17.23	4.31
Sichuan Furun Enterprise Reorganization Investment Co., Ltd.* (四川富潤企業重組投資有限責任公司)	H Shares	31,072,000	Beneficial owner	11.56	2.89

Notes:

1. As at the Latest Practicable Date, Hydropower Group held 394,398,400 Domestic Shares. Hydropower Group is held as to 77.74% of equity interest by Energy Investment Group which is in turn wholly-owned by Sichuan Development Co.. Therefore, Energy Investment Group is deemed to be interested in 394,398,400 Domestic Shares held by Hydropower Group pursuant to Part XV of the SFO. Sichuan Development Co. is also deemed to be interested in the said 394,398,400 Domestic Shares. In addition, Sichuan Development Co. directly held 24,937,600 Domestic Shares of the Company, thus Sichuan Development Co. was deemed to hold a total of 419,336,000 Domestic Shares.
2. As at the Latest Practicable Date, Three Gorges Capital Holdings Company Limited held 98,039,200 Domestic Shares. Three Gorges Capital Holdings Company Limited is directly wholly-owned 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 Domestic Shares.
3. As at the Latest Practicable Date, Jinneng Holding (Hong Kong) Limited held 62,146,000 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 62,146,000 H Shares held by Jinneng Holding (Hong Kong) Limited. Mr. Tian Qiu and Ms. Wang Wenxiang are also deemed to be interested in the 62,146,000 H Shares above.
4. As at the Latest Practicable Date, SCIG International Limited held 46,326,000 H Shares. SCIG International Limited is directly wholly-owned by Sichuan Provincial Investment Group Company Limited. Therefore, pursuant to Part XV of the SFO, Sichuan Provincial Investment Group Company Limited is deemed to be interested in 46,326,000 H Shares held by SCIG International Limited.

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 2021, 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 resolution at the 2021 Third EGM 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 2021 (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;
- (2) the Equipment and Materials Procurement Contract;
- (3) the Construction Supervision Contract; and
- (4) the Automation EPC Contract.

12. MISCELLANEOUS

- (1) The joint company secretary 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 2022 FIRST 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)

(the “Company”)

(Stock Code: 01713)

NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting (the “**EGM**”) of Sichuan Energy Investment Development Co., Ltd.* (the “**Company**”) for the year 2022 will be held at Conference Room, 10th Floor, No. 778, Yiman Road, Baixi Street, Xuzhou District, Yibin City, Sichuan Province, the PRC at 10:00 a.m. on 19 April 2022 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 30 March 2022.

ORDINARY RESOLUTION

1. To consider and, if thought fit, approve the EPC Contract and the transactions contemplated thereunder as set out in the circular of the Company dated 30 March 2022; 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.
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 30 March 2022; 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 30 March 2022; 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 2022 FIRST EXTRAORDINARY GENERAL MEETING

4. To consider and, if thought fit, approve the Automation EPC Contract and the transactions contemplated thereunder as set out in the circular of the Company dated 30 March 2022; 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 Automation EPC Contract.

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

Xiong Lin
Chairman

Chengdu, Sichuan Province, the PRC
30 March 2022

Notes:

1. Details of the above resolutions are set out in the circular of the Company dated 30 March 2022.
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 Saturday, 19 March 2022 to Tuesday, 19 April 2022 (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 Level 54, Hopewell Centre, 183 Queen’s Road East, 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 and Unlisted Foreign Shares no later than 4:30 p.m. on Friday, 18 March 2022.
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 Level 54, Hopewell Centre, 183 Queen’s Road East, 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 and Unlisted Foreign Shares not less than 24 hours before the time for holding the EGM (i.e. before 10:00 a.m. on Monday, 18 April 2022). 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.
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 and Unlisted Foreign Shares) before Monday, 11 April 2022.

NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING

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
Level 54, Hopewell Centre,
183 Queen's Road East, 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 announcement, the executive Directors are Mr. Xiong Lin, Mr. Li Hui; and Ms. Xie Peixi; the non-executive Directors are Ms. Han Chunhong, Ms. Li Yu, Ms. Liang Hong and Ms. Lv Yan; and the independent non-executive Directors are Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng and Prof. Li Jian.

** For identification purposes only*