
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 licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Resources Power Holdings Company Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

This circular is issued and despatched by the Company for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company or SpinCo. This document does not constitute and is not an offer to sell or the solicitation of an offer to buy any securities referred to in this circular in Hong Kong, the PRC or elsewhere.



華潤電力控股有限公司

China Resources Power Holdings Company Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 836)

**(1) PROPOSED SPIN-OFF AND SEPARATE LISTING OF
CHINA RESOURCES NEW ENERGY GROUP COMPANY LIMITED
BY WAY OF PROPOSED A SHARES LISTING ON
THE SHENZHEN STOCK EXCHANGE
AND DEEMED DISPOSAL AND MAJOR TRANSACTION
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to the Independent Board Committee and the Shareholders



A letter from the Board is set out on pages 4 to 20 of this circular and a letter of recommendation from the Independent Board Committee to the Shareholders is set out on page 21 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders is set out on pages 22 to 48 of this circular.

A notice convening the EGM to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on July 7, 2023 at 2:30 p.m. is set out on pages 58 to 59 of this circular.

A proxy form for use at the EGM is also enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

Hong Kong, June 21, 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	21
LETTER FROM SOMERLEY	22
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	49
APPENDIX II – GENERAL INFORMATION	53
NOTICE OF EXTRAORDINARY GENERAL MEETING	58

DEFINITIONS

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

“Announcements”	the announcements of the Company dated March 22, 2023 and June 18, 2023 in relation to the Proposed Spin-off and A Share Listing
“Board”	board of Directors
“Company”	China Resources Power Holdings Company Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 836)
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CRCL”	China Resources Company Limited (中國華潤有限公司) the ultimate holding company and controlling shareholder of the Company
“CRCL Group”	CRCL and its subsidiaries but excluding the Company and the Group
“CRH”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability, which is ultimately owned by CRCL
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of approving, among other things, the Proposed Spin-off and A Share Listing
“Group”	the Company and its subsidiaries
“GW”	gigawatt
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board comprising Ms. LEUNG Oi-sie, Elsie, Dr. CH’IEN Kuo Fung, Raymond, Mr. SO Chak Kwong, Jack and Mr. YANG Yuchuan, all of whom are independent non-executive Directors, formed to advise and provide recommendations to the Shareholders on the Proposed Spin-off and A Share Listing
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off and A Share Listing
“Latest Practicable Date”	June 13, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MW”	megawatt
“PN15”	Practice Note 15 of the Listing Rules
“PRC”	People’s Republic of China
“PRC Sponsors”	the sponsors acting for the SpinCo in relation to the Proposed Spin-off and A Share Listing
“Proposed Spin-off” or “A Share Listing”	the proposed listing of the securities of the SpinCo on the Shenzhen Stock Exchange
“R&D”	research and development

DEFINITIONS

“Remaining Business”	the remaining business of the Retained Group which will comprise of the sales of electricity, development, construction, management and operation of thermal power plants and other business, as further described under “Letter from the Board – 3. Information on SpinCo Group and the Retained Group – 3.2 Information of Retained Group”
“Retained Group”	the Company and its subsidiaries, excluding the SpinCo Group
“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 or otherwise modified from time to time
“Shareholders”	holders of the Shares
“Shares”	share(s) of the Company
“SpinCo”	China Resources New Energy Group Company Limited (華潤新能源控股有限公司), a company incorporated in Hong Kong on August 26, 2010 with limited liability
“SpinCo Group”	the SpinCo and its subsidiaries
“Spin-off Business”	the spin-off business of the SpinCo Group which will comprise of the investment, development, operation and management of wind farms and photovoltaic power plants in the PRC, as further described under “Letter from the Board – 3. Information on SpinCo Group and the Retained Group – 3.1 Information of SpinCo Group”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

LETTER FROM THE BOARD



華潤電力控股有限公司
China Resources Power Holdings Company Limited
(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 836)

Executive Directors:

SHI Baofeng (*Chairman*)
ZHANG Junzheng (*Vice Chairman*)
SONG Kui (*Vice Chairman*)

Non-executive Directors:

LIU Guixin
CHEN Guoyong

Independent Non-executive Directors:

LEUNG Oi-sie, Elsie
CH'IEN Kuo Fung, Raymond
SO Chak Kwong, Jack
YANG Yuchuan

*Registered Office and Principal Place
of Business in Hong Kong:*

Rooms 2001-2002
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

June 21, 2023

To the Shareholders,

Dear Sir or Madam,

**(1) PROPOSED SPIN-OFF AND SEPARATE LISTING OF
CHINA RESOURCES NEW ENERGY GROUP COMPANY LIMITED
BY WAY OF PROPOSED A SHARES LISTING ON
THE SHENZHEN STOCK EXCHANGE
AND DEEMED DISPOSAL AND MAJOR TRANSACTION
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company dated March 22, 2023 and June 18, 2023 in relation to the Proposed Spin-off and A Share Listing.

LETTER FROM THE BOARD

The Company has submitted a proposal on the Proposed Spin-off and A Share Listing to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off and A Share Listing. The Stock Exchange has also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off and A Share Listing as required by paragraph 3(f) of PN15.

As of the Latest Practicable Date, the SpinCo is a direct wholly-owned subsidiary of the Company. The listing of the SpinCo is expected to involve the issue of new A-shares of SpinCo by way of public offer. It is intended that the number of new A-shares to be issued under the Proposed Spin-off and A Share Listing will be 15% to 30% of the enlarged issued share capital of the SpinCo (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) after the aforesaid public offer, following which the ownership of the Company in the SpinCo will be diluted to not less than 70%. Accordingly, the Proposed Spin-off and A Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the SpinCo under Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Proposed Spin-off and A Share Listing is expected to exceed 25% but be less than 75%. Accordingly, the Proposed Spin-off and A Share Listing, if consummated, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under paragraph 3(e)(1) of PN15 and Rule 14.40 of the Listing Rules.

The purposes of this circular are to: (i) provide the Shareholders with information on the reasons for, and the benefits of, the Proposed Spin-off and A Share Listing (together with such other information relating to the Proposed Spin-off and A Share Listing as required by the Listing Rules for a major transaction of the Company); (ii) set out the recommendation of the Independent Board Committee to the Shareholders regarding the Proposed Spin-off and A Share Listing; (iii) set out the letter of advice from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Shareholders regarding the Proposed Spin-off and A Share Listing; and (iv) give to the Shareholders the notice of the EGM at which an ordinary resolution will be proposed to approve the Proposed Spin-off and A Share Listing.

Shareholders and potential investors of the Company should note that the Proposed Spin-off and A Share Listing and relevant arrangements are conditional upon, among others, various regulatory and corporate approvals, market conditions and other considerations. Accordingly, the Proposed Spin-off and A Share Listing may or may not occur. There is no assurance that the Proposed Spin-off and A Share Listing will take place and, if so, when they may take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

LETTER FROM THE BOARD

2. THE PROPOSED SPIN-OFF AND A SHARE LISTING

2.1 Background

Subject to approvals by the Shareholders and the relevant PRC regulators, it is currently proposed that the SpinCo will issue A shares on the Shenzhen Stock Exchange by way of an initial public offering to public investors in the market.

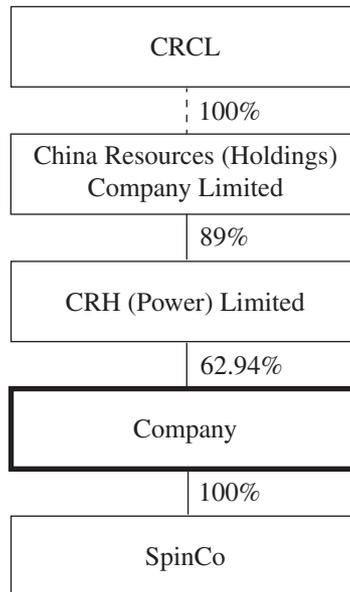
It is proposed that the SpinCo will offer 15% to 30% of the enlarged issued share capital of the SpinCo (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) upon completion of the Proposed Spin-off and A Share Listing of the SpinCo (the “**Offer Shares**”). The number of the Offer Shares held by the public, in any event, will represent not more than 30% of the total issued share capital of the SpinCo after completion of the Proposed Spin-off and A Share Listing. The actual number of Offer Shares to be offered by the SpinCo will be determined at a later stage subject to regulatory approvals by the Shenzhen Stock Exchange and the CSRC, discussions among the management of the SpinCo, the PRC Sponsors and other advisers for the Proposed Spin-off and A Share Listing and in particular, subject to market conditions. As of the Latest Practicable Date, SpinCo is a direct wholly-owned subsidiary of the Company. It is expected that immediately upon completion of the Proposed Spin-off and A Share Listing, the Company will continue to have an interest of not less than 70% in the SpinCo and, therefore, the SpinCo will remain as a subsidiary of the Company, the financial results of which will continue to be consolidated into the accounts of the Group.

It is expected that the SpinCo will make the submission of the A Share listing application to the Shenzhen Stock Exchange during the second half of 2023, while the completion date of the Proposed Spin-off and A Share Listing will be subject to (i) the vetting process of the relevant listing application by the Shenzhen Stock Exchange, CSRC and other relevant governmental and regulatory authorities, and (ii) market conditions. The Company will provide further clarity on the expected timeline of the Proposed Spin-off and A Share Listing as and when appropriate.

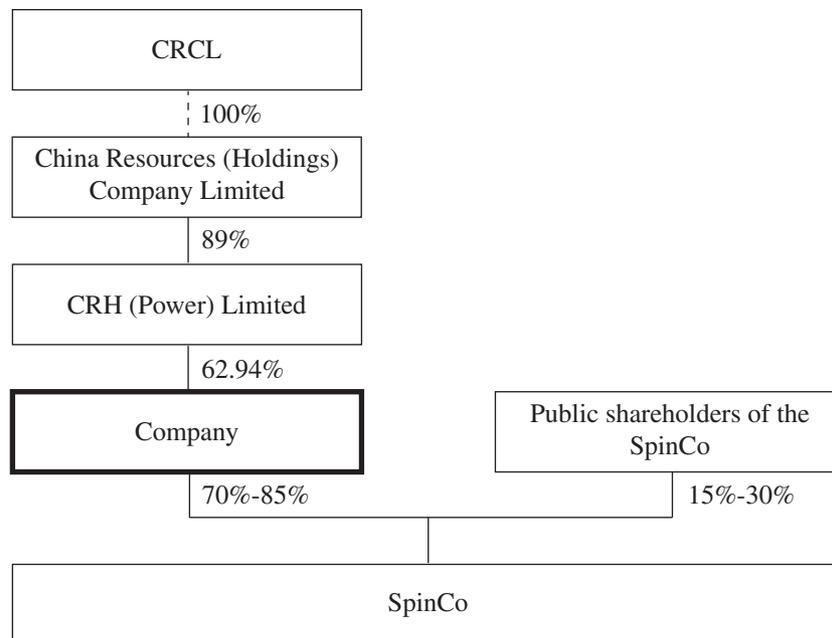
LETTER FROM THE BOARD

Set out below is a simplified shareholding structure of SpinCo (i) as of the Latest Practicable Date; and (ii) immediately upon completion of the Proposed Spin-off and A Share Listing:

a. as of the Latest Practicable Date



b. immediately upon completion of the Proposed Spin-off and A Share Listing



LETTER FROM THE BOARD

Upon completion of the Proposed Spin-off and A Share Listing, there will be a clear delineation between the business of SpinCo and the Remaining Business in terms of, among others, the nature of the business, the energy generation principles of the business, the equipment and energy resources, the criteria for selecting locations of plants and sales model.

2.2 Conditions of the Proposed Spin-off

The Proposed Spin-off will be conditional upon, among other things, the following:

- (1) the approval of the Shareholders of the Proposed Spin-off at the EGM;
- (2) the final decisions of the board of directors and shareholder(s) of the SpinCo;
- (3) the approvals of the CSRC, the Shenzhen Stock Exchange and other relevant governmental and regulatory authorities in relation to the Proposed Spin-off and A Share Listing; and
- (4) the market conditions and other considerations.

Each of the aforementioned conditions is not waivable, and as of the Latest Practicable Date, none of these conditions have been fulfilled. If any of these and other applicable conditions is not fulfilled or waived, if applicable, prior to the dates and times to be specified, the Proposed Spin-off and A Share Listing will not proceed and an announcement will be published by the Company as soon as practicable thereafter.

2.3 Intended use of proceeds raised from the Proposed Spin-off and A Share Listing

The SpinCo expects to use the net proceeds from the Proposed Spin-off and A Share Listing in the following manner:

- (i) approximately 70% of the net proceeds for the construction of over 30 additional wind farms and photovoltaic power plant projects located in the PRC during the next three to five years. The approximate construction period for a wind farm/photovoltaic power plant project is approximately six months to two years. SpinCo will reasonably invest the net proceeds in accordance with the commencement dates and construction progress of the relevant projects; and
- (ii) approximately 30% of the net proceeds for general working capital purposes (including but not limited to the payment of operating expenses).

It is proposed that the SpinCo will offer 15% to 30% of the enlarged issued share capital of the SpinCo (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) upon completion of the Proposed Spin-off and A Share Listing of the SpinCo, which is subject to final determination at a later stage as detailed in section 2.1 above. The final offer price of the SpinCo's offering under the Proposed Spin-off and A Share Listing shall be determined by the SpinCo and the lead underwriter in accordance with relevant laws and regulations, or other requirements by the CSRC or the Shenzhen Stock Exchange. Pursuant to the Securities Issuance and Underwriting Management Measures 《證券發行與承銷管理辦

LETTER FROM THE BOARD

法》(2023 Revision) issued by the CSRC, relevant consultations and enquiries shall be made with professional and institutional investors with rich experience in investment and company valuation (including companies involved in securities, fund management, futures, trusts, insurance and finance, other qualified foreign investors and private fund managers) and other specified investors in order to determine the final offer price under the Proposed Spin-off and A Share Listing. In determining the offer price, the aforementioned investors should determine their price quotations under the principles of honesty, objectiveness and independence, and shall not negotiate the quotations nor deliberately provide a higher or lower quotation. The offer price is expected to be no less than SpinCo's per share net asset value. As of December 31, 2022, the unaudited consolidated net asset value attributable to the shareholders of the SpinCo was approximately HK\$74,098 million, and for illustration purposes only, the net assets attributable to the shareholders of SpinCo per share as of December 31, 2022 was HK\$6.80 per share.

The size of the offering under the Proposed Spin-off and A Share Listing (including the exact number of offer shares and offer price) has not been fixed yet, and the offer price will ultimately be determined by the SpinCo and the lead underwriter in accordance with the relevant regulatory requirements. In determining the offer price of the offering under the Proposed Spin-off and A Share Listing, the SpinCo will take into account, among others, (i) the positive growth and financial performance of the SpinCo as reflected in its historical operating results; (ii) its business prospects and expected performance of the SpinCo; (iii) valuations of comparable companies (including the price-to-earnings ratios); (iv) the A-share market conditions at the time of the Proposed Spin-off and A Share Listing; and (v) applicable laws and regulations, including the Securities Issuance and Underwriting Management Measures (2023 Revision) and the Shenzhen Stock Exchange Initial Public Offering Securities Issuance and Underwriting Business Implementation Rules 《深圳證券交易所首次公開發行證券發行與承銷業務實施細則》.

Having considered the above, the Board is of the view that the aforementioned basis of determining the offer price of the Proposed Spin-off and A Share Listing is fair and reasonable.

3. INFORMATION ON SPINCO GROUP AND THE RETAINED GROUP

3.1 Information of SpinCo Group

SpinCo was incorporated under the laws of Hong Kong with limited liability on August 26, 2010. The SpinCo Group is principally engaged in the investment, development, operation and management of wind farms and photovoltaic power plants in the PRC (the “**Spin-off Business**”), as detailed below:

(i) **Wind farm business**

As of December 31, 2022, the SpinCo Group had over 150 wind farms with an attributable operational generation capacity of over 15,000 MW.

(ii) **Photovoltaic power plants business**

As of December 31, 2022, the SpinCo Group had over 30 photovoltaic power plants with an attributable operational generation capacity of over 1,100 MW.

LETTER FROM THE BOARD

Selected financial information of the SpinCo Group for the years ended December 31, 2021 and 2022 are set out below:

	For the year ended December 31, 2021	For the year ended December 31, 2022
	<i>HK\$ million (unaudited)⁽¹⁾</i>	<i>HK\$ million (unaudited)⁽¹⁾</i>
Profit before tax	8,387	9,105
Profit attributable to shareholders	7,315	7,680

Note:

- (1) Shareholders should note that the financial information of the SpinCo Group is unaudited and subject to audit adjustment.

As of December 31, 2022, the unaudited consolidated net asset value of the SpinCo Group was approximately HK\$75,433 million.

3.2 Information of Retained Group

Immediately following the completion of the Proposed Spin-off and A Share Listing, the Retained Group will retain a sufficient level of operations and sufficient assets to support its separate listing status. The Retained Group is currently, and will after the completion of the Proposed Spin-off continue to be, engaged in the following two segments of energy businesses (the “**Remaining Business**”):

(i) **Thermal power business**

The thermal power business of the Retained Group consists of sales of electricity, investment, development, construction, management and operation of coal-fired and gas-fired power plants. As of December 31, 2022, the Group had 42 coal-fired power plants and 5 gas-fired power plants in commercial operations with the attributable operational generation capacity of thermal power amounted to 35,577 MW. Further, the Group has thermal power projects with heat supply operations to residential, industrial and commercial customers, covering the residential customers in a total of over 220 million square meters in 35 cities across the PRC as of December 31, 2022.

(ii) **Other business**

The other business of the Retained Group consists of intelligent energy, hydro-electric power business and coal mining.

The Proposed Spin-off and A Share Listing will not result in one business (i.e. that of the SpinCo Group) supporting two listing statuses (i.e. those of the Retained Group and the SpinCo Group).

LETTER FROM THE BOARD

Upon completion of the Proposed Spin-off and A Share Listing, the Retained Group will retain a sufficient level of operations and sufficient assets to support its separate listing status, and shall satisfy independently the requirements of Chapter 8 of the Listing Rules (including Rule 8.05(3)).

3.3 Clear business delineation between the business between the SpinCo Group on one hand, and the Retained Group on the other hand

The Directors believe that the Spin-off Business and Remaining Business will be distinct and independent from each other upon completion of the Proposed Spin-off and A Share Listing, and will satisfy the requirements under PN15 for the following reasons:

Delineation between the conventional energy business (thermal power business, hydro-electric power business) operated by the Retained Group and wind and photovoltaic power business operated by the SpinCo Group

The key difference of the thermal power business and hydro-electric power business operated by the Retained Group and wind and photovoltaic power business operated by the SpinCo Group are as follows:

- **Different industry:** The Spin-off Business is primarily involved in the new energy industry, whereas the Remaining Business is primarily involved in the conventional energy industry.
- **Different energy generation principles:** The principles of wind and photovoltaic power generation under the Spin-off Business are different from the principles of coal-fired, gas-fired and hydro-electric power generation under the Remaining Business.
- **Different equipment and energy resources:** The Spin-off Business requires wind turbines, towers, photovoltaic modules, inverters and electrical supporting equipment for its operations, whereas the Remaining Business requires the equipment for the burning of coal/natural gas (including coal-fired units, boilers, steam turbines and gas turbines) and the equipment for hydro-electric power generation (including generator sets, water retaining structures, flood discharge projects, water diversion projects, power plants, substations and metal structure equipment of each power station).
- **Different criteria for selecting locations of plants:** The Spin-off Business primarily require locations rich in wind and solar energy, whereas the Remaining Business primarily require locations that are concentrated in areas with large electricity demand and/or rich in coal/gas resources for thermal power, and in the case of hydro-electric power, the locations of rivers with abundant runoff and huge drop within the areas.

LETTER FROM THE BOARD

- **Different sales model:** Grid companies purchasing electricity generated from the renewable energy power plants (wind, photovoltaic and hydro-electric business) are legally obligated to purchase the full amount of electricity generated from the renewable energy power plants within its coverage area. The renewable energy power plant may sell the electricity to industrial and commercial enterprises through the electricity trading market. However, the purchase of electricity generated from wind and photovoltaic power farms/plants operated by the SpinCo Group is prioritized than that from the hydro-electric power plants operated by the Retained Group.

In the case of coal/gas power plants, grid companies are not legally obligated to purchase the full amount of electricity generated from coal/gas power plants within its coverage area. The output of each coal/gas power plant can be sold to either (i) the grid company or (ii) directly to industrial and commercial enterprises through the electricity trading market. The grid companies can decide on the allocation and dispatch of the amount of energy generated by each coal/gas power plant to be sold to the grid company.

- **Different R&D, technical knowhow and intellectual property:** The R&D, technical knowhow and intellectual property relating to wind and photovoltaic power business are mainly focused on wind power generation, wind resources evaluation, photovoltaic modules, photovoltaic plant monitoring, wind turbine blade anti-icing and lightning protection, being unique to the business. On the other hand, the R&D, technical knowhow and intellectual property relating to the thermal power business are mainly focused on coal machine performance of thermal system, coal generating units and cooling devices. There is no major technical knowhow and intellectual property for the hydro-electric power business.

Certain renewable energy related projects held by the Retained Group

The Retained Group will retain certain renewable energy related projects, which are either immaterial in their financial contribution to the Group, or minority interests that are not consolidated in the Group's financial statements. Considering the above and the materiality of the financial contributions of the aforementioned retained projects, the Company is of the view that there is a clear delineation between the retained projects on one hand, and the principal business of the SpinCo Group on the other hand, and there is no material competition between the retained projects on one hand, and the principal business of the SpinCo Group on the other hand.

LETTER FROM THE BOARD

3.4 Management independence

Each of the SpinCo Group and Retained Group is managed independently in the interests of their respective shareholders as a whole by separate core management teams. It is currently expected that the director (whose role is executive in nature), the proposed independent directors and other senior management of SpinCo would not hold any position within the Retained Group.

To ensure that existing and potential conflict of interests are managed properly so to protect SpinCo's shareholders' interests as a whole, the SpinCo will implement adequate corporate governance measures, including but not limited to (1) adopting a series of corporate governance policies including articles of association, terms of reference of the board, independent director working regime, in order to address any actual or potential conflicts of interest and to protect the interests of the minority shareholders of SpinCo Group; (2) the board of the SpinCo Group will establish an audit committee, remuneration and review committee, and nomination committee (together, the "Committees"), the Committees must comprise a majority of independent directors and the audit committee must be chaired by an independent director; and (3) the SpinCo Group will adopt related party transaction management system to ensure the fairness of the pricing and compliance with disclosure rules.

The Company believes that it will operate and resolve all potential conflicting matters independently of the Retained Group. The SpinCo will therefore be managed independently and in the interest of its shareholders as a whole.

3.5 Financial independence

The SpinCo Group has certain loans from the Company, which are mostly project loans, where the project company would raise capital for the construction of the power plants through taking out loans from banks and the Company. In general, the majority of the project loans are provided by banks with a relatively small portion from the Company. As such, SpinCo and its project companies are capable of financing independently from the Retained Group.

Save as disclosed herein, there is no outstanding loan, advance, credit facilities or bank guarantees provided by the Retained Group to the SpinCo Group.

3.6 Operational Independence

The SpinCo Group will be able to operate independently from the Retained Group following the Proposed Spin-off. The SpinCo Group has set up its own financial and other administrative functions with a team of independent staff, and its own organizational structure with independent function to adapt to the development demands of the SpinCo Group and relevant PRC laws and regulations, each with specific areas of responsibility carrying out essential administrative functions without the Group's support. It will also have a set of internal control procedures (including a series of systems and policies to be adopted and practiced by the SpinCo Group independently) to facilitate the effective operation of its business.

LETTER FROM THE BOARD

Historically, the SpinCo has been part of the Group, and the Retained Group has entered into certain transactions with the SpinCo Group on normal commercial terms which will continue upon the Proposed Spin-off and A Share Listing, the majority of which are neither related to the principal business of the SpinCo Group nor the Retained Group. The majority of such transactions consist of ancillary services to support business operations (eg. consultation and software services), which are generally available on the market and therefore no reliance issue arising between the SpinCo Group and the Retained Group for such services. Given the SpinCo is not expected to become a connected subsidiary (as defined under the Listing Rules) of the Retained Group upon completion of the Proposed Spin-off and A Share Listing, the ongoing transactions of the SpinCo with the Retained Group will not constitute connected transactions nor continuing connected transactions for the Retained Group under Chapter 14A of the Listing Rules.

4. FINANCIAL IMPACT OF THE PROPOSED SPIN-OFF AND A SHARE LISTING

The SpinCo will continue to be a subsidiary of the Company upon completion of the Proposed Spin-off and SpinCo's financial results will continue to be consolidated into the accounts of the Group. The following is the expected financial impact of the Proposed Spin-off on the Group:

Earnings

The Proposed Spin-off and A Share Listing will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in the SpinCo. It is expected that there would be no expected gain or loss on the deemed disposal credited or charged to the Company's consolidated statement of profit or loss as gain or loss upon the completion of the Proposed Spin-off and A Share Listing. The difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration received will be recorded in equity attributed to the shareholders of the Company. In addition, as the proportion of the Company's shareholding in the SpinCo will be diluted immediately after the completion of the Proposed Spin-off and A Share Listing, it is expected that the earnings attributable to the Shareholders of the Company will decrease while the earnings attributable to non-controlling interests of the Company will increase.

Assets and liabilities

The Proposed Spin-off and A Share Listing will increase the number of shares of the SpinCo and raise funds. The net proceeds of the Proposed Spin-off and A Share Listing will increase the cash recorded in the consolidated statement of financial position of the Group and increase the total assets of the Group correspondingly. The Proposed Spin-off and A Share Listing will not affect the liabilities of the Group. However, the Proposed Spin-off and A Share Listing will raise funds and increase the net asset value of the Group.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF AND A SHARE LISTING

The Company considers that it is commercially beneficial to the Company and SpinCo and in the interests of the Shareholders to effect the Proposed Spin-off and A Share Listing as it is expected to create greater value for the Company and its Shareholders as a whole and the SpinCo Group, for the following reasons:

- (1) The Group has proposed to increase its installed capacity for renewable energy by 40GW under its 14th Five Year Plan period (ie. from 2021 to 2025), taking advantage of development opportunities to achieve the goals of carbon peak and carbon neutrality, and promoting green transformation. The Board believes that the Proposed Spin-off and A Share Listing will allow the SpinCo to have direct access to equity financing through the capital markets in the PRC, provide sufficient funds for the acceleration and vigorous development of its renewable energy business, and unlock the implied value of the wind power and photovoltaic power business of the SpinCo Group with a higher valuation multiple than the valuation of the Group as a whole. This will enable the Group to achieve its goals to increase its installed capacity for renewable energy during the 14th Five Year Plan period, gradually propelling the Group to become a world-class and globally competitive clean energy supplier and integrated energy service provider;
- (2) The Proposed Spin-off and A Share Listing will allow the management team of the Retained Group to focus on its Remaining Business and the development of new businesses, including intelligent energy services and energy technology. At the same time, the Proposed Spin-off and A Share Listing will allow the SpinCo to have a separate fundraising platform and direct access to the capital markets, such that they can diversify their source of fund for their operations without having to turn to the Retained Group. In turn, the Retained Group will be able to retain more cash flow for its own development and operations;
- (3) The Proposed Spin-off and A Share Listing will also allow SpinCo to enhance its corporate governance through public scrutiny, and allow investors to appraise and assess SpinCo's performance and potential through increased operational and financial transparency. In addition, the capital structure of the Company will also be optimized, reducing its debt asset ratio; and
- (4) the Proposed Spin-off and A Share Listing will enhance the brand value and market influence of SpinCo and promote the sustainable development of SpinCo, enabling it to attract industry and local institutions as strategic investors. Such investors will provide the SpinCo with additional resources and collaboration opportunities, which would enable the SpinCo to obtain additional renewable energy projects and further grow its business.

LETTER FROM THE BOARD

6. WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Under paragraph 3(f) of PN15, the Company is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares of the SpinCo, either by way of a distribution in specie of existing shares of the SpinCo, or by way of a preferred application in the offering of existing or new shares of the SpinCo (the “**Assured Entitlement**”). PN15 also provides that the minority shareholders may by resolution in general meeting resolve to waive the Assured Entitlement.

As advised by the qualified PRC legal adviser (the “**PRC Legal Adviser**”), according to relevant PRC laws and regulations, only the following overseas investors could subscribe shares listed on the stock exchanges in the PRC:

- (a) residents of Hong Kong, Macao or Taiwan who work or live in the PRC;
- (b) foreigners who have obtained permanent residence right in the PRC;
- (c) foreigners who work in the PRC and whose home country has established a regulatory cooperation mechanism with the CSRC;
- (d) qualified foreign institutional investors approved by CSRC; and
- (e) foreign strategic investors subject to filing or approval by the Ministry of Commerce of the People’s Republic of China or other required mandatory procedures,

(together, the “**Qualified Investors**”).

It is unduly burdensome and practically impossible for the Company to determine whether its shareholders are considered as Qualified Investors, in order to hold shares in the SpinCo whether through preferred application or distribution in specie under Assured Entitlement.

Even if any shareholder of the Company is a Qualified Investor, as advised by the PRC Legal Adviser, (i) there is no legal support and practice guidance for the Company to distribute shares of the SpinCo to the shareholders of the Company; (ii) according to the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), Securities Issuance and Underwriting Management Measures (《證券發行與承銷管理辦法》) (2023 Revision) and other relevant laws and regulations, any public offering of shares by any issuer must be approved by the competent State Council’s securities regulatory agency or registered by the department authorized by the State Council, and comply with relevant regulations relating to quotation and subscription procedures. Save for special circumstances (preferential allocation of no less than certain percentage of the total shares to be issued to public offering funds, national social security funds, pension funds, enterprise annual funds, occupational annual funds, and insurance funds in compliance with relevant regulations including Insurance Fund Utilization Management Measures (《保險資金運用管理辦法》) and qualified foreign investors funds), shares shall not be preferentially allocated to any specific person. As such, the Company or the SpinCo is not allowed to allocate the shares of SpinCo to any specific person under a preferential allocation. Therefore, the Company is unable to provide Assured Entitlement in the form of preferential application.

LETTER FROM THE BOARD

The Company believes that not providing Assured Entitlement to its shareholders for the shares of the SpinCo will not prejudice the interests and benefits of its shareholders since the revenue, profit, assets and debts of the SpinCo will continue to be reflected in the consolidated financial statements of the Company, the benefits brought by the Proposed Spin-off of the SpinCo will still be enjoyed, indirectly, by the shareholders of the Company.

In view of the above legal and practical impediments for providing the Assured Entitlement to the Company's shareholders, the Company has applied for, and the Listing Committee has agreed to grant a waiver from strict compliance with the requirements in relation to the assured entitlement under PN15.

7. LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, the SpinCo is a direct wholly-owned subsidiary of the Company. The listing of the SpinCo is expected to involve the issue of new A-shares of SpinCo by way of public offer. It is intended that the number of new A-shares to be issued under the Proposed Spin-off and A Share Listing will be 15% to 30% (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) of the enlarged issued share capital of the SpinCo after the aforesaid public offer, following which the ownership of the Company in the SpinCo will be diluted to not less than 70%. Accordingly, the Proposed Spin-off and A Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the SpinCo under Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Proposed Spin-off and A Share Listing is expected to exceed 25% but be less than 75%. Accordingly, the Proposed Spin-off, if consummated, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under paragraph 3(e)(1) of PN15 and Rule 14.40 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Spin-off and A Share Listing. As such, no Shareholder is required to abstain from voting in the general meeting to be convened to approve the Proposed Spin-off and A Share Listing.

Shareholders and potential investors of the Company should note that the Proposed Spin-off and A Share Listing and relevant arrangements are conditional upon, among others, various regulatory and corporate approvals, market conditions and other considerations. Accordingly, the Proposed Spin-off may or may not occur. There is no assurance that the Proposed Spin-off and A Share Listing will take place and, if so, when they may take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

LETTER FROM THE BOARD

8. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. LEUNG Oi-sie, Elsie, Dr. CH' IEN Kuo Fung, Raymond, Mr. SO Chak Kwong, Jack and Mr. YANG Yuchuan, has been established to advise the Shareholders as to whether the terms of the Proposed Spin-off and A Share Listing are fair and reasonable and whether the Proposed Spin-off and A Share Listing is in the interests of the Company and the Shareholders as a whole, taking into account the recommendation of Somerley.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off and A Share Listing are fair and reasonable and whether the Proposed Spin-off and A Share Listing is in the interests of the Company and the Shareholders as a whole.

9. EGM

The EGM will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Friday, July 7, 2023 at 2:30 p.m. to consider and, if thought fit, approve, among other matters, the Proposed Spin-off and A Share Listing. The notice convening the EGM, which contains, inter alia, ordinary resolution to approve the Proposed Spin-off and A Share Listing is contained in the Appendix II to this circular. Shareholders are advised to read the notice and to complete and return the form of proxy for use at the EGM in accordance with the instructions printed thereon.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

Closure of register of members and ascertaining of eligibility for attending the EGM

As disclosed in the announcement of the Company dated June 18, 2023, for determining the Shareholders who are entitled to attend and vote at the EGM, the register of members will be closed from Wednesday, July 5, 2023 to Friday, July 7, 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, July 4, 2023.

LETTER FROM THE BOARD

Voting by way of poll

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll. The Chairman of the EGM will demand a poll for the resolution to be proposed at the EGM in accordance with the memorandum and articles of association of the Company. The results of the poll will be announced in the manner prescribed under Rule 13.39(5) of the Listing Rules after conclusion of the EGM.

10. RECOMMENDATION

No Director has a material interest in the Proposed Spin-off and A Share Listing, and none of them is required to abstain or has abstained from voting on the relevant Board resolutions to approve the Proposed Spin-off and A Share Listing.

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions at the EGM.

Somerley considers that the Proposed Spin-off and A Share Listing are in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, Somerley recommends the Independent Board Committee to advise, and Somerley itself recommends, the Shareholders to vote in favour of the relevant resolution(s) if there were a general meeting of the Company held to consider to approve the Proposed Spin-off and A Share Listing. The letter from Somerley containing its advice in relation to the Proposed Spin-off, together with the factors and reasons it has considered in arriving at its opinion, is set out on pages 22 to 48 of this circular.

The Independent Board Committee, having taken into account the advice of Somerley, considers that the terms of the Proposed Spin-off and A Share Listing are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Shareholders vote in favour of the relevant resolution(s) if there were a general meeting of the Company held to consider and, if thought fit, to approve the Proposed Spin-off and A Share Listing.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the board
**CHINA RESOURCES POWER
HOLDINGS COMPANY LIMITED**
SHI Baofeng
Chairman



華潤電力控股有限公司
China Resources Power Holdings Company Limited
(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 836)

June 21, 2023

To the Shareholders,

Dear Sir or Madam,

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF
CHINA RESOURCES NEW ENERGY GROUP COMPANY LIMITED
BY WAY OF PROPOSED A SHARES LISTING ON
THE SHENZHEN STOCK EXCHANGE
AND DEEMED DISPOSAL AND MAJOR TRANSACTION**

We refer to the circular dated June 21, 2023 of the Company (the “**Circular**”) of which this letter forms part of. Capitalised terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Proposed Spin-off and A Share Listing and to advise the Shareholders as to whether, in our opinion, the terms of the Proposed Spin-off and A Share Listing are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Somerley has been appointed as the Independent Financial Adviser to advise us and the Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Somerley as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Somerley as set out in its letter of advice, we consider that the terms of the Proposed Spin-off and A Share Listing are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend that you vote in favour of the relevant resolution in the general meeting of the Company to be held to consider and, if thought fit, to approve the Proposed Spin-off and A Share Listing.

Yours faithfully,

For and on behalf of the Independent Board Committee

Ms. LEUNG Oi-sie,
Elsie

Dr. CH’IEN Kuo Fung,
Raymond

Mr. SO Chak Kwong,
Jack

Mr. YANG
Yuchuan

Independent Non-executive Directors

LETTER FROM SOMERLEY

The following is the text of the letter of advice from Somerley to the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

June 21, 2023

*To: the Independent Board Committee and the Shareholders of
China Resources Power Holdings Company Limited*

Dear Sirs,

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF
CHINA RESOURCES NEW ENERGY GROUP COMPANY LIMITED
BY WAY OF PROPOSED A SHARES LISTING ON
THE SHENZHEN STOCK EXCHANGE
AND DEEMED DISPOSAL AND MAJOR TRANSACTION**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off and the transactions contemplated therein. Details of the Proposed Spin-off are set out in the circular issued by the Company to the Shareholders dated June 21, 2023 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the letter from the Board contained in the Circular, subject to approvals by the Shareholders and the relevant PRC regulators, it is currently proposed that the SpinCo will issue A shares on the Shenzhen Stock Exchange by way of an initial public offering to public investors in the market. It is proposed that the SpinCo will offer 15% to 30% of the enlarged issued share capital of the SpinCo (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) upon completion of the Proposed Spin-off and A Share Listing of the SpinCo (“**Offer Shares**”). As at the Latest Practicable Date, the SpinCo is a direct wholly-owned subsidiary of the Company. It is expected that immediately upon completion of the Proposed Spin-off and A Share Listing, the Company will continue to have an interest of not less than 70% in the SpinCo and, therefore, the SpinCo will remain as a subsidiary of the Company, the financial results of which will continue to be consolidated into the accounts of the Group.

LETTER FROM SOMERLEY

The Company has submitted a proposal on the Proposed Spin-off and A Share Listing to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off and A Share Listing. The Stock Exchange has also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off and A Share Listing as required by paragraph 3(f) of PN15.

It is expected that the SpinCo will make the submission of the A Share listing application to the Shenzhen Stock Exchange during the second half of 2023, while the completion date of the Proposed Spin-off and A Share Listing will be subject to (i) the vetting process of the relevant listing application by the Shenzhen Stock Exchange, CSRC and other relevant governmental and regulatory authorities; and (ii) market conditions.

The listing of the SpinCo is expected to involve the issue of new A-shares of SpinCo by way of public offer. It is intended that the number of new A-shares to be issued under the Proposed Spin-off and A Share Listing will be 15% to 30% of the enlarged issued share capital of the SpinCo (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) after the aforesaid public offer, following which the ownership of the Company in the SpinCo will be diluted to not less than 70%. Accordingly, the Proposed Spin-off and A Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the SpinCo under Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios under Rule 14.06 of the Listing Rules in respect of the Proposed Spin-off and A Share Listing is expected to exceed 25% but be less than 75%. Accordingly, the Proposed Spin-off and A Share Listing, if consummated, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under paragraph 3(e)(1) of PN15 and Rule 14.40 of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. LEUNG Oi-sie, Elsie, Dr. CH'IEN Kuo Fung, Raymond, Mr. SO Chak Kwong, Jack and Mr. YANG Yuchuan, has been established to advise the Shareholders in respect of the terms of the Proposed Spin-off. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in the same regard.

We are not associated with the Company, the SpinCo or any of their close associates, associates or core connected persons (all as defined in the Listing Rules) and accordingly we are considered eligible to give independent advice on the above matters. Apart from normal professional fee payable to us in connection with this or similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, the SpinCo or any of their close associates, associates or core connected persons.

LETTER FROM SOMERLEY

During the past two years, we acted as an independent financial adviser to a fellow subsidiary of the Company in October 2022 in relation to a continuing connected transaction. The past engagement was limited to providing independent advisory services to the fellow subsidiary of the Company pursuant to the Listing Rules, for which we received a normal professional fee relevant to this type of engagements. Accordingly, we do not consider the past engagement would affect our independence to act as the independent financial adviser to the Company under the current engagement. Notwithstanding the past engagement, as at the Latest Practicable Date, there were no relationships or interests between Somerley on one hand and the Company, the SpinCo or any of their close associates, associates or core connected persons (all as defined in the Listing Rules) on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Shareholders in connection with the Proposed Spin-off and the transactions contemplated therein.

In formulating our opinion and recommendation, we have reviewed, among other things, the annual reports of the Company for the years ended December 31, 2021 (“**2021 Annual Report**”) and 2022 (“**2022 Annual Report**”), the announcements of the Company in relation to the Proposed Spin-off dated March 22, 2023 and June 18, 2023 and the information contained in the Circular.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group (“**Management**”) and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted or withheld from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the SpinCo Group or the Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with respect to the Proposed Spin-off, we have taken into account the principal factors and reasons set out below.

1. Information of the Group

(a) *Business*

The Group is principally engaged in investing, developing, operating and managing thermal power plants, wind farms, photovoltaic power plants in the PRC. The Group's business also covers intelligent energy, hydro-electric power business and coal mining. The Group mainly operates the below principal business segments:

(i) *Thermal power business*

Thermal power business represents sales of electricity, provision of related services, development, construction, management and operation of coal-fired and gas-fired power plants.

(ii) *Renewable energy business*

Renewable energy business represents sales of electricity, development, construction, management and operation of wind farms, hydro-electric projects and photovoltaic power generation.

As at December 31, 2022, the Group had 42 coal-fired power plants, 159 wind farms, 38 photovoltaic power plants, 2 hydroelectric power plants and 5 gas-fired power plants in commercial operations. As stated in the 2022 Annual Report, at the end of 2022, the Group had operational generation capacity of 67,814MW and attributable operational generation capacity of 52,581MW, out of which, the attributable operational generation capacity of the thermal power plants amounted to 35,577MW or approximately 67.7%. The total attributable operational generation capacity of wind, photovoltaic and hydro power projects amounted to 17,004MW or approximately 32.3%, representing an increase of 0.2 percentage point from the end of 2021.

Shares of the Company have been listed on the Stock Exchange since 2003. The Company had a market capitalisation of approximately HK\$83.7 billion as at the Latest Practicable Date.

LETTER FROM SOMERLEY

(b) Financial performance

Set out below is a summary of the financial performance of the Group for the years ended December 31, 2020, 2021 and 2022.

	For the year ended December 31,		
	2022	2021	2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
		<i>(restated)</i>	
Turnover	103,305	90,414	69,551
Operating expenses	(93,920)	(87,105)	(56,828)
Other income, gains and losses	4,166	2,720	1,370
	<u>103,305</u>	<u>90,414</u>	<u>69,551</u>
Operating profit	13,551	6,029	14,093
Finance costs	(3,890)	(3,760)	(3,422)
Share of results of associates and joint ventures	(200)	122	799
	<u>13,551</u>	<u>6,029</u>	<u>14,093</u>
Profit before income tax	9,461	2,391	11,470
Income tax expense	(1,905)	(955)	(2,794)
	<u>9,461</u>	<u>2,391</u>	<u>11,470</u>
Profit for the year	<u>7,556</u>	<u>1,436</u>	<u>8,676</u>
Profit/(Loss) for the year attributable to:			
the Shareholders	7,042	2,138	7,583
perpetual capital securities holders	421	463	235
other non-controlling interests	93	(1,165)	858
	<u>7,556</u>	<u>1,436</u>	<u>8,676</u>

Years ended December 31, 2021 versus December 31, 2020

Turnover of the Group increased by approximately 30.0% for the year ended December 31, 2021 as compared to that for the previous year. Based on the 2021 Annual Report and the restated figures in the 2022 Annual Report, segment revenues of thermal power business and renewable energy business for the year ended December 31, 2021 amounted to approximately HK\$69,542 million and approximately HK\$20,872 million, respectively, which represented year-on-year increases of approximately 21.8% and approximately 67.3%, respectively, from those for the year ended December 31, 2020. As stated in the 2021 Annual Report, the increase in turnover of the Group was mainly attributable to (i) an increase in net generation volume of subsidiary power plants; (ii) an

LETTER FROM SOMERLEY

increase in the average on-grid tariffs (tax exclusive) of subsidiary coal-fired power plants; (iii) an increase in the sales of heat supply of subsidiary power plants; (iv) an increase in the average unit price (tax exclusive) of the sales of heat supply of subsidiary power plants; and (v) the appreciation of RMB against HK\$.

Operating expenses of the Group mainly include fuel costs, depreciation and amortisation, employee benefit expenses, repairs and maintenance, and consumables. Operating expenses of the Group increased by approximately 53.3% for the year ended December 31, 2021 as compared to those for the prior year. The increase was primarily contributed by the increase in fuel costs of approximately HK\$25,950 million or approximately 79.9% from those of approximately HK\$32,494 million for the year ended December 31, 2020 to approximately HK\$58,444 million for the year ended December 31, 2021, which was mainly due to, among other things, an increase in the unit price of standard coal.

Operating profit of the Group and profit attributable to the Shareholders decreased by approximately 57.2% and approximately 71.8% for the year ended December 31, 2021, respectively, as compared to those for the prior year, which were mainly due to the significant increase in the operating expenses as mentioned above.

Years ended December 31, 2022 versus December 31, 2021

Turnover of the Group increased by approximately 14.3% for the year ended December 31, 2022 as compared to that for the previous year. Based on the 2022 Annual Report, segment revenues of thermal power business and renewable energy business for the year ended December 31, 2022 amounted to approximately HK\$81,971 million and approximately HK\$21,334 million, respectively, which represented year-on-year increases of approximately 17.9% and approximately 2.2%, respectively. As stated in the 2022 Annual Report, the increase in turnover of the Group was mainly attributable to (i) an increase in the average on-grid tariff (tax exclusive) of consolidated coal-fired power plants; (ii) an increase in net generation volume of consolidated power plants; (iii) an increase in the average price (tax exclusive) of the sales of heat supply of consolidated power plants; and (iv) an increase in the sales of heat supply of consolidated power plants.

Operating expenses of the Group increased by approximately 7.8% for the year ended December 31, 2022 as compared to those for the prior year. The increase was primarily contributed by the increase in fuel costs of approximately HK\$5,839 million or approximately 10.0% from those of approximately HK\$58,444 million for the year ended December 31, 2021 to approximately HK\$64,283 million for the year ended December 31, 2022, which was mainly due to, among other things, an increase in the unit price of standard coal.

LETTER FROM SOMERLEY

Operating profit of the Group and profit attributable to the Shareholders increased by approximately 124.8% and approximately 229.4% for the year ended December 31, 2022, respectively, as compared to those for the prior year, which was chiefly due to the increase in turnover as mentioned above.

(c) Financial position

Set out below is a summary of the financial position of the Group as at December 31, 2020, 2021 and 2022.

	As at December 31,		
	2022	2021	2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
		<i>(restated)</i>	
Non-current assets			
Property, plant and equipment	191,356	193,546	180,817
Right-of-use assets	6,636	5,680	5,704
Mining rights	3,836	4,559	4,465
Other receivables and prepayments	12,534	12,601	9,541
Interests in associates	9,050	8,760	8,204
Interests in joint ventures	5,997	5,760	5,779
Other non-current assets	3,296	3,104	4,484
	232,705	234,010	218,994
Current assets			
Inventories	4,582	6,748	2,912
Trade receivables, other receivables and prepayments	35,616	37,786	31,428
Cash and cash equivalents	7,721	7,934	5,036
Other current assets	712	1,489	1,262
	48,631	53,957	40,638
Assets classified as held for sale	2,052	–	–
Total assets	283,388	287,967	259,632
Non-current liabilities			
Borrowings	93,322	105,310	82,109
Other non-current liabilities	6,629	6,935	6,508
	99,951	112,245	88,617

LETTER FROM SOMERLEY

	As at December 31,		
	2022	2021	2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
		<i>(restated)</i>	
Current liabilities			
Trade payables, other payables and accruals	30,248	34,136	33,587
Amounts due to other related companies	10,841	7,392	6,458
Borrowings	38,383	23,186	20,158
Other current liabilities	3,199	3,345	4,862
	<u>82,671</u>	<u>68,059</u>	<u>65,065</u>
Liabilities associated with assets classified as held for sale	212	–	–
	<u>182,834</u>	<u>180,304</u>	<u>153,682</u>
Total liabilities			
Net current liabilities	<u>34,040</u>	<u>14,102</u>	<u>24,427</u>
Capital and reserves			
Equity attributable to the			
Shareholders	82,239	88,992	85,803
Perpetual capital securities holders	10,664	10,827	10,827
Other non-controlling interests	7,651	7,844	9,320
	<u>100,554</u>	<u>107,663</u>	<u>105,950</u>
Total equity			

As at December 31, 2022, over 65% of the amount of the total assets of the Group were property, plant and equipment, the majority of which were power generating plant and equipment. Property, plant and equipment of the Group amounted to approximately HK\$191,356 million as at December 31, 2022, which remained stable as compared to those as at December 31, 2021. The current portion of trade receivables, other receivables and prepayments of the Group amounted to approximately HK\$35,616 million, representing approximately 12.6% of the amount of the total assets of the Group, as at December 31, 2022. The balance had decreased by approximately 5.7% from that of approximately HK\$37,786 million as at December 31, 2021, which was mainly attributable to payment of the tariff premium for new energy projects by relevant government authorities for prior years during the year ended December 31, 2022. As at December 31, 2022, the cash and cash equivalents of the Group amounted to approximately HK\$7,721 million, representing approximately 2.7% of the amount of the total assets of the Group.

LETTER FROM SOMERLEY

The Group has been largely financed by bank and other borrowings, including bank loans, corporate bonds and notes and loans from related parties, and the Shareholders' equity. As at December 31, 2022, over 75% of the amount of the total liabilities of the Group were bank and other borrowings amounted to approximately HK\$138,319 million, among which approximately HK\$44,997 million were due within one year. Equity attributable to the Shareholders was approximately HK\$82,239 million as at December 31, 2022, representing a decrease of approximately 7.6% from that as at December 31, 2021. The decrease was mainly due to the currency translation loss of approximately HK\$13,117 million recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022, which was partially offset by the net profit generated for the same year.

As at December 31, 2022, the Group was in net current liabilities of approximately HK\$34,040 million. Gearing ratio, calculated as net debt (calculated as the sum of total borrowings and loan from an intermediate holding company less cash and cash equivalents and pledged and restricted bank deposits) divided by total equity, as at December 31, 2022 was approximately 130%, which had escalated by approximately 12 percentage points from approximately 118% as at December 31, 2021.

2. Information of the SpinCo Group

(a) Business

As disclosed in the letter from the Board contained in the Circular, the SpinCo was incorporated under the laws of Hong Kong with limited liability on August 26, 2010. The SpinCo Group is principally engaged in the investment, development, operation and management of wind farms and photovoltaic power plants in the PRC, as detailed below:

(i) Wind farm business

As of December 31, 2022, the SpinCo Group had over 150 wind farms with an attributable operational generation capacity of over 15,000 MW.

(ii) Photovoltaic power plants business

As of December 31, 2022, the SpinCo Group had over 30 photovoltaic power plants with an attributable operational generation capacity of over 1,100 MW.

LETTER FROM SOMERLEY

(b) Financial performance

The following table sets out a summary of the unaudited consolidated statement of profit or loss of the SpinCo for the years ended December 31, 2020, 2021 and 2022.

	For the year ended December 31,		
	2022	2021	2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	21,124	20,721	12,628
Profit before taxation	9,105	8,387	4,525
Profit attributable to shareholders of the SpinCo	7,680	7,315	3,786

The turnover, mainly arising from sales of electricity to grid companies, was approximately HK\$21,124 million, approximately HK\$20,721 million and approximately HK\$12,628 million for the years ended December 31, 2022, 2021 and 2020 (“**Review Period**”), respectively, representing year-on-year growth rates of approximately 1.9% and approximately 64.1%. The significant growth of turnover for the year ended December 31, 2021 was mainly due to the increase in sales of electricity resulted from the increased number of new power projects put into operations and increased full-load equivalent utilisation hours during the year. The relative stable growth of turnover for the year ended December 31, 2022 was mainly due to the slight drop in the average tariff because of the feed-in tariff policy (平價上網政策) launched by the National Development and Reform Commission of the PRC (中國國家發展和改革委員會) along with the minor growth of the capacity.

The profit attributable to shareholders of the SpinCo was approximately HK\$7,680 million, approximately HK\$7,315 million and approximately HK\$3,786 million for the Review Period, representing year-on-year growth rates of approximately 5.0% and approximately 93.2%, respectively. The significant increase in the profit attributable to shareholders of the SpinCo for the year ended December 31, 2021 was mainly due to the rapid growth in the turnover. The slight increase in the profit attributable to shareholders of the SpinCo for the year ended December 31, 2022 was mainly due to (i) minor growth of new power projects put into operations and the decrease in full-load equivalent utilisation hours; and (ii) the increase in tax expenses as a result of the expiration of tax benefits of certain projects.

LETTER FROM SOMERLEY

(c) Financial position

The following table sets out a summary of the unaudited consolidated statement of the financial position of the SpinCo as at December 31, 2020, 2021 and 2022.

	As at December 31,		
	2022	2021	2020
	<i>(HK\$ million)</i> <i>(unaudited)</i>	<i>(HK\$ million)</i> <i>(unaudited)</i>	<i>(HK\$ million)</i> <i>(unaudited)</i>
Total assets	153,858	145,495	130,607
Property, plant and equipment	92,298	95,820	66,611
Construction in progress	21,881	9,757	27,237
Trade and other receivables	17,033	22,941	23,993
Bank balances and cash	5,333	2,698	1,288
Total liabilities	78,424	118,721	130,607
Other payables	27,701	80,999	80,416
Bank loans	47,855	35,379	27,462
Equity attributable to shareholders of the SpinCo	74,098	25,171	19,671

As at December 31, 2022, the total assets of the SpinCo Group amounted to approximately HK\$153,858 million, which mainly comprised (i) property, plant and equipment (“PP&E”); (ii) construction in progress (“CIP”); (iii) trade and other receivables; and (iv) bank balances and cash. The aforesaid four types of assets in aggregate accounted for approximately 89% of the amount of the total assets as at December 31, 2022. The PP&E and the CIP, which accounted for approximately 74% of the amount of the total assets as at December 31, 2022, were largely power generating plants and equipment. There were increases in the PP&E and the CIP in aggregate during the Review Period, which were primarily due to the increases in the number of new power projects put into operations and power projects in pipeline commencing construction. Trade and other receivables were the third largest item of the assets, followed by bank balances and cash. There was a decrease in the trade receivables as at December 31, 2022 as compared to those as at December 31, 2021, which was mainly due to the payment of tariff premium for new energy projects by relevant government authorities during the year ended December 31, 2022. There was a strong growth in bank balances and cash during the Review Period, which was chiefly attributable to the capital injection by the Retained Group to the SpinCo Group.

LETTER FROM SOMERLEY

As at December 31, 2022, the total liabilities of the SpinCo Group amounted to approximately HK\$78,424 million, which mainly comprised (i) other payables; and (ii) bank loans. The aforesaid two types of liabilities in aggregate accounted for approximately 96% of the amount of the total liabilities as at December 31, 2022. Other payables, being the single largest item of the liabilities, primarily consisted of financial assistance from the Retained Group as capital for power plants construction. The amounts of other payables as at December 31, 2020 and December 31, 2021 were in a similar level. However, there was a significant drop as at December 31, 2022 when the majority of the aforesaid capital for power plants construction was capitalised as equity of the SpinCo by the Retained Group, which led to the decrease in the liabilities as at December 31, 2022. The bank loans, which were largely in long term, saw an increase over the Review Period and were one of the SpinCo Group's primary sources of funding and were used for the construction of the power plants.

The equity attributable to shareholders of the SpinCo had increased from approximately HK\$25,171 million as at December 31, 2021 to HK\$74,098 million as at December 31, 2022, which was mainly due to the capitalisation of the capital for power plants construction provided by the Retained Group as mentioned above.

3. Reasons for and benefits of the Proposed Spin-off

As stated in the letter from the Board contained in the Circular, the Company considers that it is commercially beneficial to the Company and the SpinCo and in the interests of the Shareholders to effect the Proposed Spin-off as it is expected to create greater value for the Company and its Shareholders as a whole and the SpinCo Group, for the following reasons:

- (a) The Group has proposed to increase its installed capacity for renewable energy by 40GW under its 14th Five Year Plan period (i.e., from 2021 to 2025), taking advantage of development opportunities to achieve the goals of carbon peak and carbon neutrality, and promoting green transformation. The Board believes that the Proposed Spin-off and A Share Listing will allow the SpinCo to have direct access to equity financing through the capital markets in the PRC, provide sufficient funds for the acceleration and vigorous development of its renewable energy business, and unlock the implied value of the wind power and photovoltaic power business of the SpinCo Group with a higher valuation multiple than the valuation of the Group as a whole. This will enable the Group to achieve its goals to increase its installed capacity for renewable energy during the 14th Five Year Plan period, gradually propelling the Group to become a world-class and globally competitive clean energy supplier and integrated energy service provider;
- (b) The Proposed Spin-off and the A Share Listing will allow the management team of the Retained Group to focus on its Remaining Business and the development of new businesses, including intelligent energy services and energy technology. At the same time, the Proposed Spin-off and A Share Listing will allow the SpinCo to have a separate fundraising platform and direct access to the capital markets, such that they can diversify their source of fund for their operations without having to turn to the Retained Group. In turn, the Retained Group will be able to retain more cash flow for its own development and operations;

LETTER FROM SOMERLEY

- (c) The Proposed Spin-off and A Share Listing will also allow SpinCo to enhance its corporate governance through public scrutiny, and allow investors to appraise and assess the SpinCo's performance and potential through increased operational and financial transparency. In addition, the capital structure of the Company will also be optimised, reducing its debt asset ratio; and
- (d) The Proposed Spin-off and the A Share Listing will enhance the brand value and market influence of the SpinCo and promote the sustainable development of the SpinCo, enabling it to attract industry and local institutions as strategic investors. Such investors will provide the SpinCo with additional resources and collaboration opportunities, which would enable the SpinCo to obtain additional renewable energy projects and further grow its business.

As stated in the letter from the Board contained in the Circular, the key differences between the thermal power business and hydro-electric power business operated by the Retained Group (i.e., the Remaining Business) and wind and photovoltaic power business operated by the SpinCo Group (i.e., the Spin-off Business) are as follow:

	Remaining Business	Spin-off Business
Different industry	Conventional energy industry (thermal power business and hydro-electric power business)	New energy industry (wind and photovoltaic power business)
Different energy generation principles	For coal-fired, gas-fired and hydro-electric power generation	For wind and photovoltaic power generation
Different equipment and energy resources	The equipment for the burning of coal/natural gas (including coal-fired units, boilers, steam turbines and gas turbines) and the equipment for hydro-electric power generation (including generator sets, water retaining structures, flood discharge projects, water diversion projects, power plants, substations and metal structure equipment of each power station)	Wind turbines, towers, photovoltaic modules, inverters and electrical supporting equipment

LETTER FROM SOMERLEY

	Remaining Business	Spin-off Business
Different criteria for selecting locations of plants	Locations that are concentrated in areas with large electricity demand and/or rich in coal/gas resources for thermal power or locations of rivers with abundant runoff and huge drop within the areas for hydro-electric power	Locations rich in wind and solar energy
Different sales model	Grid companies are not legally obligated to purchase the full amount of electricity generated from coal/gas power plants within its coverage area	Grid companies are legally obligated to purchase the full amount of electricity generated from the renewable energy power plants within its coverage area The purchase of electricity generated from wind and photovoltaic power farms/plants is prioritised
Different R&D, technical knowhow and intellectual property	Focused on coal machine performance of thermal system, coal generating units and cooling devices and no major technical knowhow and intellectual property for the hydro-electric power business	Focused on wind power generation, wind resources evaluation, photovoltaic modules, photovoltaic plant monitoring, wind turbine blade anti-icing and lightning protection, being unique to the business

In our opinion, given the differences in the businesses carried out by the SpinCo Group and the Retained Group as summarised above, we concur with the view of the Company that the Retained Group could focus on its Remaining Business and the development of new businesses. The SpinCo Group would grow its business with additional resources and collaboration opportunities, which would enable the SpinCo Group to obtain additional energy projects, enhancing the brand value and market influence of the SpinCo Group. Hence, this would enable the Group to achieve its goals to increase its installed capacity for renewable energy during the 14th Five Year Plan period.

LETTER FROM SOMERLEY

We further agree and consider the Proposed Spin-off would facilitate the further growth and business transformation of the SpinCo Group and allow investors to appraise and assess the SpinCo Group's performance and potential through increased operational and financial transparency. In addition, we agree and consider the Proposed Spin-off would allow the Retained Group and the SpinCo Group having separate fundraising platforms through the capital markets in the PRC, increasing their respective financial flexibility and enhancing their ability to maintain stable cash flow to support sustainable growth. Despite the profit of the SpinCo Group accounted for a significant part of the Group's profit for the three years ended December 31, 2022, the SpinCo will remain as a subsidiary of the Company and the financial results of which will continue to be consolidated into those of the Group.

The Proposed Spin-off would also provide funds for the development of the renewable energy business, and may unlock the value of the wind power and photovoltaic power business of the SpinCo Group with a higher valuation multiple than the valuation of the Group as a whole. In this regard, we have reviewed and identified 10 companies with principal businesses comparable to that of as the SpinCo Group and listed on a PRC stock exchange. Based on our analysis, the average price-to-earnings ratio ("**P/E ratio**") of the aforesaid comparable companies is higher than that of the Group. For details of the aforesaid comparable companies, please refer to the sub-section headed "(b) Offer price" under the section headed "5. The Proposed Spin-off" in this letter. Thus, we agree to the view that the Proposed Spin-off may unlock the value of the SpinCo with a higher valuation multiple than the valuation of the Group as a whole.

4. Conditions of the Proposed Spin-off

As set out in the letter from the Board contained in the Circular, the Proposed Spin-off will be conditional upon, among other things, the following:

- (1) the approval of the Shareholders of the Proposed Spin-off at the EGM;
- (2) the final decisions of the board of directors and shareholder(s) of SpinCo;
- (3) the approvals of the CSRC, the Shenzhen Stock Exchange and other relevant governmental and regulatory authorities in relation to the Proposed Spin-off and A Share Listing; and
- (4) the market conditions and other considerations.

Each of the aforementioned conditions is not waivable, and as of the Latest Practicable Date, none of these conditions have been fulfilled. If any of these and other applicable conditions is not fulfilled or waived, if applicable, prior to the dates and times to be specified, the Proposed Spin-off and the A Share Listing will not proceed and an announcement will be published by the Company as soon as practicable thereafter.

5. The Proposed Spin-off

(a) Structure of the Proposed Spin-off

As disclosed in the letter from the Board contained in the Circular, the Proposed Spin-off is expected to involve the issue of new A-shares of the SpinCo by way of public offer. For the purpose of the Proposed Spin-off, the Company has submitted a proposal on the Proposed Spin-off and the A Share Listing to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off and the A Share Listing.

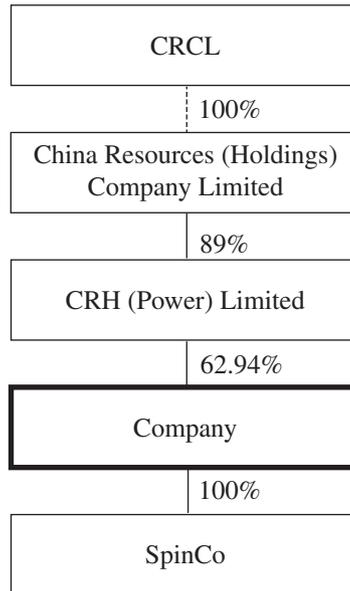
Subject to approvals by the Shareholders and the relevant PRC regulators, it is currently proposed that the SpinCo will issue A shares on the Shenzhen Stock Exchange by way of an initial public offering to public investors in the market.

It is proposed that the SpinCo will offer 15% to 30% of the enlarged issued share capital of the SpinCo (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) upon completion of the Proposed Spin-off and the A Share Listing of the SpinCo. The number of the Offer Shares held by the public, in any event, will represent not more than 30% of the total issued share capital of the SpinCo after completion of the Proposed Spin-off and the A Share Listing. The actual number of Offer Shares to be offered by the SpinCo will be determined at a later stage subject to regulatory approvals by the Shenzhen Stock Exchange and the CSRC, discussions among the management of the SpinCo, the PRC Sponsors and other advisers for the Proposed Spin-off and A Share Listing and in particular, subject to market conditions. As of the Latest Practicable Date, the SpinCo is a direct wholly-owned subsidiary of the Company. It is expected that immediately upon completion of the Proposed Spin-off and the A Share Listing, the Company will continue to have an interest of not less than 70% in the SpinCo and, therefore, the SpinCo will remain as a subsidiary of the Company, the financial results of which will continue to be consolidated into the accounts of the Group.

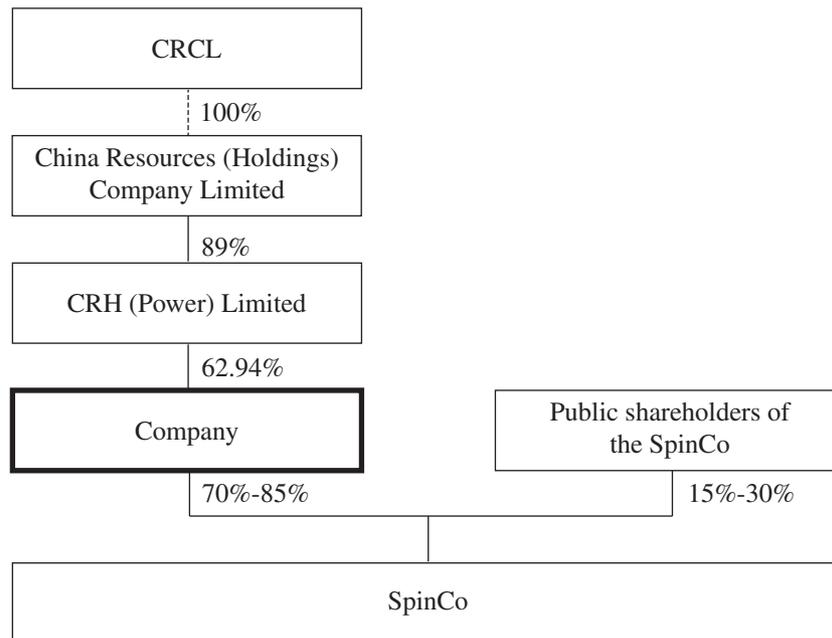
In this respect, set out below are the simplified shareholding structures of the SpinCo as at the Latest Practicable Date and immediately upon completion of the Proposed Spin-off and the A Share Listing.

LETTER FROM SOMERLEY

Simplified shareholding structure of the SpinCo as at the Latest Practicable Date



Simplified shareholding structure of the SpinCo immediately upon completion of the Proposed Spin-off and the A Share Listing^(Note)



Note: The above simplified shareholding structure of the SpinCo includes the shares to be issued under the exercise of the over-allotment option by the lead underwriter.

As illustrated above, the maximum dilution of the shareholding percentage of the Company in the SpinCo will be 30%, being a decrease from 100% as at the Latest Practicable Date to not less than 70% upon completion of the Proposed Spin-off and A Share Listing.

LETTER FROM SOMERLEY

(b) Offer price

As stated in the letter from the Board contained in the Circular, it is proposed that the SpinCo will offer 15% to 30% of the enlarged issued share capital of the SpinCo (including the shares to be issued under the exercise of the over-allotment option by the lead underwriter) upon completion of the Proposed Spin-off and A Share Listing of the SpinCo, which is subject to final determination at a later stage as detailed in section 2.1 in the letter from the Board contained in the Circular. The final offer price of the SpinCo's offering under the Proposed Spin-off and A Share Listing shall be determined by the SpinCo and the lead underwriter in accordance with relevant laws and regulations, or other requirements by the CSRC or the Shenzhen Stock Exchange. Pursuant to the Securities Issuance and Underwriting Management Measures 《證券發行與承銷管理辦法》 (2023 Revision) issued by the CSRC, relevant consultations and enquiries shall be made with professional and institutional investors with rich experience in investment and company valuation (including companies involved in securities, fund management, futures, trusts, insurance and finance, other qualified foreign investors and private fund managers) and other specified investors in order to determine the final offer price under the Proposed Spin-off and A Share Listing. In determining the offer price, the aforementioned investors should determine their price quotations under the principles of honesty, objectiveness and independence, and shall not negotiate the quotations nor deliberately provide a higher or lower quotation ("**Price Quotation**"). The offer price is expected to be no less than SpinCo's per share net asset value ("**Minimum Offer Price**"). As of December 31, 2022, the unaudited consolidated net asset value attributable to the shareholder of the SpinCo was approximately HK\$74,098 million, and for illustration purpose only, the net assets attributable to the shareholders of SpinCo per share as of December 31, 2022 was HK\$6.80 per share. We have performed an analysis of recent initial public offering transactions ("**Comparable Transactions**") in the main board of the Shenzhen Stock Exchange, the current target listing venue of the SpinCo, since 1 January 2023 and up to the Latest Practicable Date. Based on the above selection criteria, we identified 17 Comparable Transactions and we noted that the offer prices of the Comparable Transactions were no less than the net asset value per share of the respective companies. Based on the above, we consider the Minimum Offer Price, being no less than SpinCo's per share net asset value, is in line with the market practices. The Comparable Transactions as set out in below, in our opinion, represent an exhaustive list based on the selection criteria above:

<u>Company name</u>	<u>Stock code</u>	<u>Listing date</u>
Jiangsu Topfly New Materials Co., Ltd.	001373	June 1, 2023
Wuhu Sanlian Forging Co., Ltd.	001282	May 24, 2023
Changzhou Evergreen Technology Co., Ltd.	001324	May 22, 2023
Hwaway Technology Corporation Limited	001380	May 16, 2023
Shaanxi Energy Investment Co., Ltd.	001286	April 10, 2023
Shenzhen CECport Technologies Co., Ltd.	001287	April 10, 2023
Dencare (Chongqing) Oral Care Co., Ltd.	001328	April 10, 2023
Nanchang Mineral Systems Co., Ltd.	001360	April 10, 2023
Zhejiang Haisen Pharmaceutical Co., Ltd.	001367	April 10, 2023
Tongda Smart Tech (Xiamen) Co., Ltd.	001368	March 13, 2023

LETTER FROM SOMERLEY

<u>Company name</u>	<u>Stock code</u>	<u>Listing date</u>
Ningbo Yibin Electronic Technology Co., Ltd.	001278	March 8, 2023
Boen Group CO., LTD.	001366	March 7, 2023
Sichuan Rongda Gold Co., Ltd.	001337	March 3, 2023
Chuzhou Duoli Automotive Technology Co., Ltd	001311	February 27, 2023
Hangzhou Hota M&E Holdings Co., Ltd.	001225	February 22, 2023
Shandong Kuntai New Material Technology Co., Ltd.	001260	February 16, 2023
Emdoor Information Co., Ltd.	001314	February 14, 2023

Sources: The website of Cninfo (www.cninfo.com.cn) and publications of the respective companies of the Comparable Transactions

The size of the offering under the Proposed Spin-off and A Share Listing (including the exact number of offer shares and offer price) has not been fixed yet, and will ultimately be determined by the SpinCo and the lead underwriter in accordance with the relevant regulatory requirements. In determining the offer price of the offering under the Proposed Spin-off and A Share Listing, the SpinCo will take into account, among others, (i) the positive growth and financial performance of the SpinCo as reflected in its historical operating results; (ii) its business prospects and expected performance of the SpinCo; (iii) valuations of comparable companies (including the price-to-earnings ratios); (iv) the A-share market conditions at the time of the Proposed Spin-off and A Share Listing; and (v) applicable laws and regulations, including the Securities Issuance and Underwriting Management Measures (2023 Revision) and the Shenzhen Stock Exchange Initial Public Offering Securities Issuance and Underwriting Business Implementation Rules 《深圳證券交易所首次公開發行證券發行與承銷業務實施細則》.

In order to provide the Shareholders with a general reference regarding the valuation of companies listed in the PRC with a similar business scope of the SpinCo Group, we have conducted a search, on a best effort basis, of comparable companies (“**Comparable Companies**”) which are (i) state-owned companies listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange; and (ii) primarily engaged in the new energy business in the PRC, with over 70% of their total revenue derived from wind power business and/or photovoltaic power business, according to their latest published full-year financial statements (“**New Energy Revenue**”).

Based on the above selection criteria, we have identified 10 Comparable Companies. Having considered that all the Comparable Companies fall within the above selection criteria, in particular (i) the primary businesses of the Comparable Companies are similar to those of the SpinCo Group (i.e., with over 70% of their total revenue is the New Energy Revenue); and (ii) each of the Comparable Companies is listed on Shenzhen Stock Exchange, which is the current target listing venue of the SpinCo, or Shanghai Stock Exchange, we consider the Comparable Companies to be fair and representative samples for the purpose of this analysis, and the research on the Comparable Companies provides a meaningful analysis for the Shareholders. In our view, the Comparable Companies represent an exhaustive list based on the selection criteria above.

LETTER FROM SOMERLEY

<u>Company name</u>	<u>Stock code</u>	<u>Principal activities</u>	Market capitalisation as at the Latest Practicable Date	P/E ratio	Price-to-book ratio (“P/B ratio”)
			<i>(RMB million)</i>	<i>(times)</i>	<i>(times)</i>
			<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>
China Longyuan Power Group Corporation Limited	001289	Engages in designing, developing, constructing, managing, and operating wind and coal power plants, manufacturing and selling power equipment	173,171	33.9	2.5
China Three Gorges Renewables (Group) Co., Ltd	600905	Engages in wind, solar energy and hydropower development, investment and operation	152,567	21.3	2.0
Zhejiang Provincial New Energy Investment Group Co., Ltd.	600032	Engages in the investment, development, construction and operation management of renewable energy projects such as hydropower, photovoltaic power generation, and wind power generation	28,760	37.1	3.3
Cecep Solar Energy Co., Ltd.	000591	Engages in the research and development, manufacture, and sale of photovoltaic products	27,169	19.6	1.2
Cecep Wind-Power Corporation	601016	Engages in developing, investing in, managing, constructing, operating, and maintaining wind power generation projects primarily in the PRC	24,281	14.9	1.5
China Green Electricity Investment of TIANJIN CO., Ltd.	000537	Engages in the investment, development, construction, and operation of offshore and onshore wind power, photovoltaic, and solar thermal power generation projects in the PRC	21,754	34.4	1.3
Nyocor Company Limited	600821	Engages in the development, investment, construction and operation of new energy power	13,541	18.5	1.6

LETTER FROM SOMERLEY

Company name	Stock code	Principal activities	Market capitalisation as at the Latest Practicable Date	P/E ratio	Price-to-book ratio ("P/B ratio")
			<i>(RMB million)</i> <i>(Note 1)</i>	<i>(times)</i> <i>(Note 2)</i>	<i>(times)</i> <i>(Note 3)</i>
Jiangsu New Energy Development Co., Ltd.	603693	Engages in investment, development, and management of wind, solar, and biomass power plants. It also designs and manufactures offshore wind turbines and engineering equipment	11,901	25.0	2.0
Zhongmin Energy Co.,Ltd.	600163	Engages in development and construction of power generation projects in the PRC	10,333	14.2	1.8
Ning Xia Yin Xing Energy Co.,Ltd	000862	Engages in the renewable energy generation and equipment manufacturing businesses in the PRC	5,310	42.2	1.8
			Average	26.1	1.9
			Median	23.2	1.8
			Maximum	42.2	3.3
			Minimum	14.2	1.2
The Company				11.9 <i>(Note 4)</i>	1.0 <i>(Note 5)</i>

Sources: The website of Cninfo (www.cninfo.com.cn), Bloomberg and publications of the respective Comparable Companies

Notes:

- The market capitalisations of the Comparable Companies are calculated as the closing share price of the Comparable Companies as at the Latest Practicable Date multiplied by the latest number of outstanding shares of the Comparable Companies listed on Shenzhen Stock Exchange or Shanghai Stock Exchange.
- The P/E ratios of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the profit attributable to the ordinary shareholders of the corresponding Comparable Companies based on the latest published full year financial statements.
- The P/B ratios of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at the Latest Practicable Date divided by the equity attributable to the shareholders of the corresponding Comparable Companies based on the latest published full year financial statements.
- The P/E ratio of the Company of approximately 11.9 times is calculated based on the market capitalisation of the Company as at the Latest Practicable Date divided by the profit attributable to the Shareholders for the year ended December 31, 2022.

LETTER FROM SOMERLEY

5. The P/B ratio of the Company of approximately 1.0 times is calculated based on the market capitalisation of the Company as at the Latest Practicable Date divided by the equity attributable to the Shareholders for the year ended December 31, 2022.

As at the Latest Practicable Date, the P/E ratios of the Comparable Companies were in the range of approximately 14.2 times to approximately 42.2 times, with an average of approximately 26.1 times and a median of approximately 23.2 times. On the same date, the Company's P/E ratio was approximately 11.9 times, which was lower than both the average and the median P/E ratios of the Comparable Companies. As the SpinCo Group is engaged in the wind power business and photovoltaic power business, which are characteristically assets intensive, we have also looked into the P/B ratios of the Comparable Companies. As at the Latest Practicable Date, the P/B ratios of the Comparable Companies were in the range of approximately 1.2 times to approximately 3.3 times, with an average of approximately 1.9 times and a median of approximately 1.8 times. On the same date, the Company's P/B ratio was approximately 1.0 times, which was lower than both the average and the median P/B ratios of the Comparable Companies.

Given (i) the Price Quotation process mentioned above; (ii) as confirmed by the Management, the valuation of comparable companies (including the P/E ratios) will be one of the key elements to determine the offer price of the SpinCo under the Proposed Spin-off and A Share Listing; and (iii) the P/E ratios and the P/B ratios of the Comparable Companies are higher than the P/E ratio and the P/B ratio of the Company as set out in the table above, we concurred with the Management that the Proposed Spin-off might unlock the value of the wind power and photovoltaic power businesses of the SpinCo Group with a higher valuation multiple than the valuation of the Group as a whole. Thus, we are of the view that taking into account the valuations of comparable companies in determining the offer price of the offering under the Proposed Spin-off and A Share Listing to be in the interest of the Shareholders as a whole.

On the basis that the fair value of shares of the SpinCo can be determined in the book building process, including the Price Quotation as mentioned above, and relevant factors for the valuation of the shares of the SpinCo mentioned above will be taken into account in determining the offer price for the share of the SpinCo, we are of the view that the pricing mechanism of the offer price for the shares of the SpinCo under the A Share Listing to be acceptable for the Shareholders. In addition, as mentioned above, the SpinCo will take into account several factors in determining the offer price of the offering under the Proposed Spin-off and A Share Listing. Taking into account (i) the historical financial performance of the SpinCo Group, which has been discussed in the section headed "2. Information of the SpinCo Group" in this letter; (ii) the valuation of comparable companies, which has been discussed in this sub-section; and (iii) other factors, including business prospects of the SpinCo, the A-share market conditions and applicable laws and regulations, which are all factors that will generally be considered in determining the offer price of the listing of the securities of a company, we are of the view that the factors taking into account for determining the offer price of the offering under the Proposed Spin-off and A Share Listing are reasonable.

LETTER FROM SOMERLEY

(c) Intended use of proceeds

The SpinCo expects to use the net proceeds from the Proposed Spin-off and the A Share Listing in the following manner: (i) approximately 70% of the net proceeds for the construction of over 30 additional wind farm and photovoltaic power plant projects located in the PRC during the next three to five years. The approximate construction period for a wind farm/photovoltaic power plant project is approximately six months to two years. SpinCo will reasonably invest the net proceeds in accordance with the commencement dates and construction progress of the relevant projects; and (ii) approximately 30% of the net proceeds for general working capital purposes (including but not limited to the payment of operating expenses). We have obtained and reviewed the future investment plan provided by the Management, which included the projected capital expenses of each of the wind farm and photovoltaic power plant projects to be developed during the next three to five years and relevant working capital needs. Having considered the above and the use of proceeds will be applied for the development of the principal business of the SpinCo Group, which in turn will be beneficial to the Group as a whole, we are of the view that the intended use of proceeds is fair and reasonable.

6. Financial impacts of the Proposed Spin-off on the Group

As discussed in the section headed “4. Financial impact of the Proposed Spin-off and A Share Listing” in the letter from the Board contained in the Circular, the SpinCo will continue to be a subsidiary of the Company upon completion of the Proposed Spin-off and the SpinCo’s financial results will continue to be consolidated into the accounts of the Group.

Set out below are the expected financial impacts of the Proposed Spin-off on the Group, based on the proposed structure of the Proposed Spin-off and A Share Listing. Further details are set out in the section headed “4. Financial impact of the Proposed Spin-off and A Share Listing” in the letter from the Board contained in the Circular.

(a) Earnings

The Proposed Spin-off and A Share Listing will be regarded as a transaction with non-controlling interest, the carrying amount of the non-controlling interest will be adjusted to reflect the proportionate change in the non-controlling interest in the SpinCo. It is expected that there would be no gain or loss on the deemed disposal credited or charged to the Company’s consolidated statement of profit or loss upon completion of the Proposed Spin-off and A Share Listing. The difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration received will be recorded in equity attributable to the Shareholders.

In addition, as the proportion of the Company’s shareholding in the SpinCo will be diluted immediately after the completion of the Proposed Spin-off and A Share Listing, it is expected that the earnings of the SpinCo Group attributable to the Shareholders will decrease while the earnings attributable to non-controlling interests of the Company will increase.

LETTER FROM SOMERLEY

(b) Assets and liabilities

The Proposed Spin-off and A Share Listing will increase the number of shares of the SpinCo and raise funds. The net proceeds of the Proposed Spin-off and A Share Listing will increase the cash balance in the consolidated statement of financial position of the Group and increase the total assets of the Group correspondingly. The Proposed Spin-off and A Share Listing will not affect the liabilities of the Group. As a result of the foregoing, the Proposed Spin-off and A Share Listing will raise funds and increase the net asset value (“NAV”) of the Group.

(c) Gearing and liquidity

In view of the funds expected to be raised from the Proposed Spin-off, it is anticipated that the net working capital position of the Group would improve and the gearing ratio of the Group would decrease upon completion of the Proposed Spin-off, providing the Group with more financial flexibility and strengthening its financial position. While the SpinCo Group will utilise proceeds from the Proposed Spin-off for, among other things, the construction of additional wind farm and photovoltaic power plants, the Retained Group will be able to focus its financial resources on the other business segments.

7. Dilution and disposal of interest in the SpinCo Group

Based on the proposed structure of the Proposed Spin-off, the Group’s interest in the SpinCo will be diluted from 100% as at the Latest Practicable Date to not less than 70% immediately upon completion of the Proposed Spin-off.

In our opinion, such dilution is acceptable to the Shareholders after taking into account, among others, (i) the benefits to be derived from the Proposed Spin-off as discussed in the section headed “3. Reasons for and benefits of the Proposed Spin-off” above; (ii) the generally positive financial impacts on the Group including the enhancements to the NAV, gearing and liquidity of the Group; and (iii) the results and assets and liabilities of the SpinCo Group will continue to be consolidated into the accounts of the Group and the Shareholders will continue to be able to participate in the future performance of the SpinCo Group.

8. The Retained Group

As stated in the section headed “3.2 Information of Retained Group” in the letter from the Board contained in the Circular, the Retained Group is currently, and will after the completion of the Proposed Spin-off continue to be, engaged in (i) the thermal power business, which consists of the sales of electricity, investment, development, construction, management and operation of coal-fired and gas-fired power plants; and (ii) the other business, which consists of intelligent energy, hydro-electric power business and coal mining. Further, upon completion of the Proposed Spin-off and A Share Listing, the Retained Group will retain a sufficient level of operations and assets to support its separate listing status and shall satisfy independently the

LETTER FROM SOMERLEY

requirements of Chapter 8 of the Listing Rules. The Proposed Spin-off and the A Share Listing will not result in one business (i.e., that of the SpinCo Group) supporting two listing statuses (i.e., those of the Retained Group and the SpinCo Group).

The Company and the SpinCo will be managed by separate core management teams. Each of the SpinCo Group and the Retained Group has and will continue to have its own management team to carry out the business decisions and independent financial accounting systems.

Historically, the SpinCo has been part of the Group, and the Retained Group has entered into certain transactions with the SpinCo Group on normal commercial terms which will continue upon the Proposed Spin-off and A Share Listing. The majority of these transactions are neither related to the principal business of the SpinCo Group nor the Retained Group. The majority of such transactions consist of ancillary services to support business operations (e.g., consultation and software services), which are generally available on the market and therefore no reliance issue arising between the SpinCo Group and the Retained Group for such services.

On the above basis, we consider the Retained Group will continue to have a substantial business and assets after completion of the Proposed Spin-off.

9. Waiver in respect of assured entitlement

Under paragraph 3(f) of PN15, the Company is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares of the SpinCo, either by way of a distribution in specie of existing shares of SpinCo, or by way of a preferred application in the offering of existing or new shares of the SpinCo (“**Assured Entitlement**”). PN15 also provides that the minority shareholders may by resolution in general meeting resolve to waive the Assured Entitlement.

As stated in the letter from the Board contained in the Circular, as advised by the qualified PRC legal adviser (“**PRC Legal Adviser**”), according to relevant PRC laws and regulations, only the following overseas investors could subscribe shares listed on the stock exchanges in the PRC:

- (a) residents of Hong Kong, Macao or Taiwan who work or live in the PRC;
- (b) foreigners who have obtained permanent residence right in the PRC;
- (c) foreigners who work in the PRC and whose home country has established a regulatory cooperation mechanism with the CSRC;
- (d) qualified foreign institutional investors approved by the CSRC; and

LETTER FROM SOMERLEY

- (e) foreign strategic investors subject to filing or approval by the Ministry of Commerce of the People's Republic of China or other required mandatory procedures (together, "**Qualified Investors**").

It is unduly burdensome and practically impossible for the Company to determine whether its shareholders are considered as Qualified Investors, in order to hold shares in the SpinCo whether through preferred application or distribution in specie under the Assured Entitlement.

Even if any shareholder of the Company is a Qualified Investor, as advised by the PRC Legal Adviser, (i) there is no legal support and practice guidance for the Company to distribute shares of the SpinCo to the shareholders of the Company; (ii) according to the Securities Law of the People's Republic of China (《中華人民共和國證券法》), Securities Issuance and Underwriting Management Measures (《證券發行與承銷管理辦法》(2023 Revision)) and other relevant laws and regulations, any public offering of shares by any issuer must be approved by the competent State Council's securities regulatory agency or registered by the department authorised by the State Council, and comply with relevant regulations relating to quotation and subscription procedures. Save for special circumstances (preferential allocation of no less than certain percentage of the total shares to be issued to public offering funds, national social security funds, pension funds, enterprise annual funds, occupational annual funds and insurance funds in compliance with relevant regulations including Insurance Fund Utilisation Management Measures (《保險資金運用管理辦法》) and qualified foreign investors funds), shares shall not be preferentially allocated to any specific person. As such, the Company or the SpinCo is not allowed to allocate the shares of SpinCo to any specific person under a preferential allocation. Therefore, the Company is unable to provide the Assured Entitlement in the form of preferential application.

The Company believes that not providing the Assured Entitlement to its Shareholders for the shares of the SpinCo will not prejudice the interests and benefits of its shareholders since the revenue, profit, assets and debts of the SpinCo will continue to be reflected in the consolidated financial statements of the Company, the benefits brought by the Proposed Spin-off of the SpinCo will still be enjoyed, indirectly, by Shareholders.

In view of the above legal and practical impediments for providing the Assured Entitlement to the Shareholders, the Company has applied for, and the Listing Committee has agreed to grant, a waiver from strict compliance with the requirement in relation to the Assured Entitlement under Paragraph 3(f) of PN15.

Given the extent of the PRC laws and regulations as stated above, we concur with the Company that it would not be practicable or feasible to provide any entitlement to its Shareholders to subscribe for the new shares of the SpinCo to be issued in the Proposed Spin-off.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Proposed Spin-off are fair and reasonable to the Shareholders and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, who is licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for each of the years ended December 31, 2020, 2021 and 2022 of the Company together with relevant notes thereto have been disclosed in the following documents published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.cr-power.com>).

- Annual report of the Company for the year ended December 31, 2022 published on April 27, 2023: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701957.pdf>
- Annual report of the Company for the year ended December 31, 2021 published on April 28, 2022: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042801587.pdf>
- Annual report of the Company for the year ended December 31, 2020 published on April 29, 2021: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900399.pdf>

2. STATEMENT OF INDEBTEDNESS

At the close of business on April 30, 2023, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement set out in this circular, the Group had (i) aggregate outstanding borrowings of approximately HK\$148,694 million, comprising aggregate secured bank loans of approximately HK\$2,391 million, aggregate unsecured bank loans of approximately HK\$139,646 million and aggregate unsecured other loans of approximately HK\$6,657 million, (ii) aggregate lease liability of approximately HK\$1,439 million, and (iii) aggregate bonds payable of approximately HK\$3,401 million, as detailed below:

	<i>HK\$'000</i>
Current	
Other loans, unsecured	6,644,730
Current portion of long-term bank loans, secured	14,738
Current portion of long-term bank loans, unsecured	28,192,528
Bank loans, unsecured	7,375,663
Lease liability	138,111
Bond payable	2,267,420
	<u>44,633,190</u>
Non-current	
Bank loans, unsecured	104,077,998
Bank loans, secured	2,376,558
Other loans, unsecured	12,091
Lease liability	1,300,880
Bond payable	1,133,710
	<u>108,901,237</u>
Total	<u><u>153,534,427</u></u>

As of April 30, 2023, the Group's banking facilities were supported by:

- (a) bank deposits of approximately HK\$12,244 million;
- (b) corporate guarantees from the Company and certain of its subsidiaries in the amount of approximately HK\$34 million; and
- (c) mortgages over certain of the Group's real estate properties in the PRC with a carrying amount of approximately HK\$2,175 million.

As of April 30, 2023, there were certain pending litigations and claims against the Group. After consulting with its legal counsels, the Directors are of the view that the likelihood of any material adverse financial impact on the Group is remote, and it is not necessary to make further provisions for such contingent liabilities.

Save as mentioned above, and apart from intra-group liabilities and normal trade payables in the normal course of business, as of April 30, 2023, the Group did not have any other borrowings, bank overdrafts, loans or other similar indebtedness, material liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, having made appropriate inquiries and taking into account of the internal resources of the Group and currently available loan facilities, are of the opinion that the Group will have sufficient working capital for its requirements for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as of the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since December 31, 2022, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND OPERATIONAL PROSPECT

The Group is principally engaged in investing, developing, operating and managing power plants in the PRC, which includes thermal power, wind power, photovoltaic power, as well as other business, which includes intelligent energy, hydro-electric power business and coal mining.

Following the completion of the Proposed Spin-off and A Share Listing, the Retained Group will continue to engage in the sales of electricity, development, construction, management and operation of thermal power plants and other business, which includes intelligent energy, hydro-electric power business and coal mining.

Business review and prospects

Reference is made to the annual report of the Company for the year ended December 31, 2022.

In 2022, the Company has achieved positive results surrounding the annual theme of “benchmarking learning, great development and new breakthrough” in respect of its development, in line with China’s core objectives and development path of a new clean and low-carbon power system and the green transformation of the power industry.

The Company added 3,252MW of grid-connected installed capacity for renewable energy in 2022. As of December 31, 2022, the Company had total assets of HK\$283.39 billion and attributable operational generation capacity for renewable energy of 17,004MW, accounting for 32.3%, representing an increase of 0.2 percentage points over the previous year.

Further, in 2022, the total net generation volume and heat sales volume of the Company’s consolidated power plants represented a year-on-year increase of 4.1% and 6.4%, respectively. In 2022, the Company recorded a turnover of HK\$103.31 billion, representing a year-on-year increase of 14.3%. Further, profit attributable to owners of the Company amounted to HK\$7.04 billion, while basic earnings per share was HK\$1.46. The core profit contribution from the Company’s renewable energy business amounted to HK\$8,645 million.

The Company is fully committed to developing clean energy resources, promoting the development and consumption of wind and photovoltaic power projects in the southeast and central regions, and actively promoting the development of offshore wind power clusters and the development of wind and photovoltaic power bases in the northeast, northwest and north China regions. The Company has increased the acquisition of resources, prioritized the development of favourable projects, and made adequate preparations for the future development of medium- and long-term projects. In 2022, the Company obtained a total of 16,790 MW of renewable energy construction permits, including 7,900 MW of base projects and over 1,500 MW of offshore wind farms, a record high.

In 2022, taking advantage of the “Three 100%” coal policy, the Company managed to expand the coverage of long-term coal contracts, and develop advantageous supply chains in coal source areas. In addition, the Company established the Integrated Energy Development Department to focus on the development of integrated energy business, enabling the Company to proceed with its integrated energy development strategy, and allowing the Company to provide users with one-stop solutions for electricity, carbon, hydrogen and energy storage. Further, the Company established the Science, Technology and Digitization Department and increased its investment in research and development in energy and technology to achieve new breakthroughs in technological innovations.

The Company will focus on the new power system with wind and solar energy as the mainstay, and seize the important strategic opportunity of the “14th Five-Year Plan”. The Company will continue to promote low-carbon energy transformation, make breakthroughs in the three main businesses of clean power generation, integrated energy and energy technology. The Company will take practical actions to ensure energy security, promote the energy revolution so as to become a world-class clean energy supplier and integrated energy service provider.

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. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**(a) Long positions in the shares of the Company:**

Details of Shares in the Company held by the Directors as of the Latest Practicable Date are as follows:

Name	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Zhang Junzheng (張軍政)	Beneficial owner	700,000	0.015%
	Interest of spouse	96,000	0.002%
Raymond Ch'ien Kuo Fung (錢果豐)	Interest of spouse	4,000	0.000%
Jack So Chak Kwong (蘇澤光)	Interest of corporate	400,000	0.008%

(b) Long positions in the shares of the China Resources Gas Group Limited ("CR Gas"):

CR Gas is an associated corporation of the Company (as defined under the SFO). Details of shares in CR Gas held by the Directors as of the date of this circular are as follows:

Name	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Zhang Junzheng (張軍政)	Beneficial owner	10,000	0.000%

(c) **Long positions in the shares of the China Resources Pharmaceutical Group Limited (“CR Pharmaceutical”):**

CR Pharmaceutical is an associated corporation of the Company (as defined under the SFO). Details of shares in CR Pharmaceutical held by the Directors as of the date of this circular are as follows:

Name	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Shi Baofeng (史寶峰)	Beneficial owner	650,000	0.010%

Save as disclosed above, as of the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS’ INTEREST IN SECURITIES

Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares and Underlying Shares

As of the Latest Practicable Date, the following parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered into the register maintained by the Company pursuant to Section 336 of the SFO:

(a) *Long positions in the Shares:*

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
CRH (Power) Limited 華潤集團(電力)有限公司	Beneficial owner	3,027,003,337	62.93%

Name	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
CRH	Interest in a controlled corporation	3,027,905,337	62.94%
CRC Bluesky Limited	Interest in a controlled corporation	3,027,905,337	62.94%
China Resources Co., Limited (華潤股份有限公司) (“CRC”)	Interest in a controlled corporation	3,027,905,337	62.94%
CRCL	Interest in a controlled corporation	3,027,905,337	62.94%

Note: CRH (Power) Limited is a 100% subsidiary of CRH, which is a 100% subsidiary of CRC Bluesky Limited, which is in turn owned as to 100% by CRC, which is in turn held as to 100% by CRCL. Each of CRH, CRCL, CRC and CRC Bluesky Limited is deemed by virtue of Part XV of the SFO to have the same interests in 3,027,003,337 shares of the Company as those of CRH (Power) Limited. CRH, through another wholly-owned subsidiary, is interested in 902,000 shares of the Company. Accordingly, each of CRCL, CRC and CRC Bluesky Limited is deemed by virtue of Part XV of the SFO to have the same interests in the 902,000 shares as those of CRH.

(b) Short position in Shares

No short positions of other persons and substantial shareholders in the Shares or underlying shares of the Company and its associated corporations were recorded in the register.

Save as disclosed above, as of the Latest Practicable Date, the Directors are not aware of any other person or corporation having an interest or short position in Shares and underlying shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL LITIGATION

The Directors confirm that, as of the Latest Practicable Date, no member of the Group was involved in any material litigation or arbitration and no material litigation or claim is known to the Directors to be pending or threatened by or against any member of the Group.

5. EXPERT AND CONSENT

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which it respectively appears in this circular.

The followings are the qualification of Somerley who has provided its opinion or advice, which is contained in this circular:

Name	Qualification	Date of opinion
Somerley Capital Limited	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO	June 21, 2023

The expert mentioned above has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter and the references to its name in the form and context in which they appear.

As of the Latest Practicable Date, Somerley was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since December 31, 2022 (being the date to which the latest published audited financial statements of the Group were made up).

6. SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any other member of the Group, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

As of the Latest Practicable Date, none of the Directors had any interest in any assets which have been since December 31, 2022 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As of the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date which is significant in relation to the business of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder).

9. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular, the Company and/or members of the Group had not entered into any material contract outside the ordinary course of business within the two years preceding the date of this circular.

10. MISCELLANEOUS

- (1) The secretary of the Company is Mr. So Yiu Fung, a member of the Hong Kong Institute of Certified Public Accountants.
- (2) The registered office of the Company is situated at Rooms 2001-2002, 20th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (3) The Hong Kong Share Registrar and Transfer Office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) The English text of this circular shall prevail over the respective Chinese text in the case of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (<https://www.cr-power.com/en/>) for 14 days from the date of this circular:

- (1) this circular;
- (2) the memorandum and articles of association of the Company;
- (3) the annual reports of the Company for the years ended December 31, 2020, 2021 and 2022;
- (4) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 21 of this circular;
- (5) the letter from Somerley to the Independent Board Committee and the Shareholders, the text of which is set out on pages 22 to 48 of this circular; and
- (6) the written consent as referred to under the section headed "5. Expert and Consent" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



華潤電力控股有限公司

China Resources Power Holdings Company Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 836)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**EGM**”) of China Resources Power Holdings Company Limited (the “**Company**”) will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Friday, July 7, 2023 at 2:30 p.m. to consider and, if thought fit, passing the following ordinary resolution of the Company. Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated June 21, 2023 (the “**Circular**”):

ORDINARY RESOLUTION

“**THAT:**

- (a) the spin-off of China Resources New Energy Group Company Limited (華潤新能源控股有限公司) (“**SpinCo**”) and a separate listing of the shares of SpinCo on the Shenzhen Stock Exchange (the “**Proposed Spin-off**”) be and is hereby approved; and
- (b) the directors of the Company be and are hereby authorised, for and on behalf of the Company, to take all steps and do all acts and things as they consider to be necessary, appropriate or expedient in connection with and to implement or give effect to the Proposed Spin-off and to execute all such other documents, instruments and agreements (including the affixation of the Company’s common seal) deemed by them to be incidental to, ancillary to or in connection with the Proposed Spin-off.”

Yours faithfully,
By order of the board
**CHINA RESOURCES POWER
HOLDINGS COMPANY LIMITED**
SHI Baofeng
Chairman

Hong Kong, June 21, 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of members of the Company will be closed from Wednesday, July 5, 2023 to Friday, July 7, 2023 (both days inclusive), during which no share transfer will be registered. To qualify for the entitlement of the shareholders of the Company to attend, speak and vote at the EGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, July 4, 2023.
2. In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions caused by a super typhoon" announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 12:30 p.m. on the date of the Meeting, the Meeting will be adjourned. The Company will post an announcement on the corporate website of the Company (www.cr-power.com) and the designated website of the Stock Exchange (www.hkexnews.hk) to notify shareholders of the Company of the date, time and place of the adjourned Meeting. The Meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders of the Company should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situation.
3. As at the date of this notice, the Board of the Company comprises three executive directors, namely Mr. SHI Baofeng (Chairman) and Mr. ZHANG Junzheng and Mr. SONG Kui; two non-executive directors, namely Mr. LIU Guixin and Mr. CHEN Guoyong; and four independent non-executive directors, namely Ms. LEUNG Oi-sie, Elsie, Dr. CH' IEN Kuo Fung, Raymond, Mr. SO Chak Kwong, Jack and Mr. YANG Yuchuan.