

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
THE ACQUISITIONS OF THE EQUITY INTERESTS IN THE TARGET
COMPANIES INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIAL MANDATE**



Financial Adviser to the Company



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

A letter from the Board is set out on pages 10 to 28 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 64 of this circular.

A notice dated 28 July 2022 convening a GM to be held at the principal meeting place together with an online live webcast simultaneously on Wednesday, 24 August 2022 at 10:00 a.m. is set out on pages 82 to 86 of this circular. **Shareholders will NOT be able to attend in person, but may view and listen to the GM by online live webcast. Shareholders who wish to vote at the GM should complete and return the form of proxy, appointing the chairman of the GM as their proxies,** (i) to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (ii) electronically via the Company's email address at eproxy@chinapower.hk not less than 48 hours before the time appointed for holding of the GM or any adjournment thereof (as the case may be). **No gifts, souvenirs or bakery vouchers will be distributed at the GM.**

28 July 2022

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	10
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	29
LETTER FROM GRAM CAPITAL	31
APPENDIX I — Summary of Asset Appraisal Reports	65
APPENDIX II — Letter from CICC on Profit Forecast of the Target Companies	73
APPENDIX III — Report from Ernst & Young on Profit Forecast of the Target Companies	75
APPENDIX IV — General information	78
NOTICE OF THE GENERAL MEETING	82

Independent Shareholders are advised to read carefully the notice of the General Meeting and its accompanying notes for the special arrangements for the General Meeting as set out at the end of this circular.

DEFINITIONS

In this circular (other than the Notice of General Meeting), the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition Agreements”	Agreement I and Agreement II (individually the Agreement where the context requires)
“Acquisition I”	the proposed acquisition by the Company of Equity Interests I in the Target Companies I pursuant to Agreement I
“Acquisition II”	the proposed acquisition by the Company of Equity Interests II in the Target Companies II pursuant to Agreement II
“Acquisitions”	Acquisition I and Acquisition II (individually the Acquisition where the context requires)
“Agreement I”	the conditional sale and purchase agreement dated 30 June 2022 entered into by the Company and CPNE in relation to Acquisition I
“Agreement II”	the conditional sale and purchase agreement dated 30 June 2022 entered into by the Company and CPINE in relation to Acquisition II
“Announcement”	the announcement of the Company dated 30 June 2022 regarding, among other things, the Acquisitions
“Appraisal Benchmark Date”	the date on which the appraised value of the Target Companies are determined as set out in the Asset Appraisal Reports, which is 31 December 2021
“Asset Appraisal Reports”	the asset appraisal reports prepared by Lixin in relation to the Target Companies
“associates”	has the meaning given to it under the Listing Rules
“Baiyin Photovoltaic”	Gansu China Power Baiyin Photovoltaic Power Generation Company Limited* (甘肅中電白銀光伏發電有限公司), a company incorporated in the PRC and owned as to 30.8397% by CPNE and 29.6303% by CPINE, respectively
“Bazhou Environmental”	Bazhou China Power Environmental Power Generation Company Limited* (霸州中電環保發電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization

DEFINITIONS

“Board”	the board of Directors
“Chunyang Mountain Wind Power”	Hubei China Power Chunyang Mountain Wind Power Company Limited* (湖北中電純陽山風電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the Company’s financial adviser
“Company” or “Purchaser”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Completion”	with respect to each of the Equity Interests, the completion of the SAMR filings for the change in business registration in relation to the transfer of the respective Equity Interests in the relevant Target Companies pursuant to the respective Acquisition Agreements
“Completion Date”	with respect to each of the Equity Interests, the date of Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	an aggregate of up to 1,536,764,662 Shares to be allotted and issued by the Company to CPNE at the Issue Price credited as fully paid for the purpose of settlement of the consideration payable by the Company under Agreement I
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of the Company and a subsidiary of CPI Holding, thus an associate of SPIC
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of the Company and a wholly-owned subsidiary of SPIC, thus an associate of SPIC

DEFINITIONS

“CPINE” or “Seller” as to Agreement II	China Power International New Energy Holding Limited* (中電國際新能源控股有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of SPIC, thus an associate of SPIC
“CPNE” or “Seller” as to Agreement I	China Power (New Energy) Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of SPIC, thus an associate of SPIC
“Dafeng Wind Power”	China Power Dafeng Wind Power Generation Company Limited* (中電大豐風力發電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPNE
“Deyang Environmental”	Deyang He Xin Environmental Power Generation Company Limited* (德陽和新環保發電有限責任公司), a company incorporated in the PRC and a non-wholly owned subsidiary of CPNE which is owned as to 70% by CPNE after the completion of the Pre-Reorganization
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisitions (assuming the Acquisitions have been completed)
“Equity Interests”	Equity Interests I as to Agreement I and Equity Interests II as to Agreement II where the context requires
“Equity Interests I”	the equity interest of 73.3049% in Jiuquan Third Wind Power, 46.0877% in Guazhou Wind Power, 51% in Wuwei Photovoltaic, 30.8397% in Baiyin Photovoltaic, 70% in Deyang Environmental, 85% in Shangqiu Environmental, and 100% in Dafeng Wind Power, Chunyang Mountain Wind Power, Panzhihua Photovoltaic, Yuanjiang Photovoltaic, Haikou Second Environmental, Wenchang Environmental, Haikou Environmental, Bazhou Environmental, Hainan Environmental and Qionghai Environmental held by CPNE (or to be held by CPNE after the Pre-Reorganization)
“Equity Interests II”	the equity interest of 53.9123% in Guazhou Wind Power, 49% in Wuwei Photovoltaic, 29.6303% in Baiyin Photovoltaic, 70% in Jiangxi Photovoltaic, and 100% in Inner Mongolia Wind Power, Hongqi Wind Power, Sea Wave Wind Power, Qiaowan Wind Power, Zhao’an Photovoltaic and Hainan Photovoltaic held by CPINE

DEFINITIONS

“General Meeting” or “GM”	the general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Acquisitions, the Special Mandate and the transactions contemplated thereunder, currently scheduled to take place on 24 August 2022
“Group”	the Company and its subsidiaries from time to time
“Guazhou Wind Power”	Gansu China Power Guazhou Wind Power Generation Company Limited* (甘肅中電瓜州風力發電有限公司), a company incorporated in the PRC and owned as to 46.0877% by CPNE and 53.9123% by CPINE, respectively, after the completion of the Pre-Reorganization
“Haikou Environmental”	Haikou China Power Environmental Power Generation Company Limited* (海口中電環保發電有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization
“Haikou Second Environmental”	Haikou China Power Second Environmental Power Generation Company Limited* (海口中電第二環保發電有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization
“Hainan Environmental”	China Power International New Energy Hainan Company Limited* (中電國際新能源海南有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization
“Hainan Photovoltaic”	China Power International Energy Investment Hainan Company Limited* (中電國際能源投資海南有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPINE
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongqi Wind Power”	Hailin China Power Hongqi Wind Power Generation Company Limited* (海林中電紅旗風力發電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPINE

DEFINITIONS

“Independent Board Committee”	the committee of all the independent non-executive Directors, consisting of Mr. LI Fang, Mr. YAU Ka Chi and Mr. HUI Hon Chung, Stanley, which has been formed to advise the Independent Shareholders in respect of the Acquisitions
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions
“Independent Shareholder(s)”	Shareholder(s) of the Company other than SPIC and its associates
“Inner Mongolia Wind Power”	China Power Inner Mongolia Wind Power Generation Company Limited* (中電內蒙古風力發電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPINE
“Issue Price”	HK\$4.40 (equivalent to approximately RMB3.76 based on the exchange rate of HK\$1.00 to RMB0.85519 as stated in Agreement I) for each Consideration Share
“Jiangxi Photovoltaic”	Jiangxi China Power Yineng Decentralized Energy Company Limited* (江西中電儀能分佈式能源有限公司), a company incorporated in the PRC and a non-wholly owned subsidiary of CPINE which is owned as to 70% by CPINE
“Jiuquan Third Wind Power”	Gansu China Power Jiuquan Third Wind Power Generation Company Limited* (甘肅中電酒泉第三風力發電有限公司), a company incorporated in the PRC and a non-wholly owned subsidiary of CPNE which is owned as to 73.3049% by CPNE after the completion of the Pre-Reorganization
“Latest Practicable Date”	25 July 2022, being the latest practicable date prior to publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lixin”	Shanghai Lixin Appraisal Co., Ltd.* (上海立信資產評估有限公司), an independent and qualified PRC appraiser
“MW”	megawatt, that is one million watts. The attributable installed capacity of a power plant is generally expressed in MW

DEFINITIONS

“Panzhuhua Photovoltaic”	Panzhuhua China Power Photovoltaic Power Generation Company Limited* (攀枝花中電光伏發電有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization
“percentage ratio”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Reorganization”	the completion of the acquisition of the Pre-Reorganization Equity Interests by CPNE pursuant to the Pre-Reorganization Agreements
“Pre-Reorganization Agreements”	the conditional sale and purchase agreements dated 29 June 2022 entered into by CPNE and the respective sellers (being four wholly-owned subsidiaries of CPNE) in relation to the acquisition of the Pre-Reorganization Equity Interests by CPNE
“Pre-Reorganization Equity Interests”	the equity interest of: <ul style="list-style-type: none">(i) 100% in Panzhuhua Photovoltaic;(ii) 100% in Chunyang Mountain Wind Power and 46.0877% in Guazhou Wind Power;(iii) 70% in Deyang Environmental and 100% in Bazhou Environmental; and(iv) 73.3049% in Jiuquan Third Wind Power, 85% in Shangqiu Environmental, and 100% in Yuanjiang Photovoltaic, Haikou Second Environmental, Wenchang Environmental, Haikou Environmental, Hainan Environmental and Qionghai Environmental
“Qiaowan Wind Power”	Gansu China Power Qiaowan Wind Power Generation Company Limited* (甘肅中電橋灣風力發電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPINE
“Qionghai Environmental”	Qionghai China Power Environmental Power Generation Company Limited* (瓊海中電環保發電有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization

DEFINITIONS

“Right of First Refusal”	the rights of first refusal offered by CPNE and CPINE to the Company under Agreement I and Agreement II, respectively, in the event of any transfer of equity interests in any new energy project company (other than the Equity Interests) to other third parties by CPNE or CPINE, further details of which are set out in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	State Administration for Market Regulation (國家市場監督管理總局) of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (中華人民共和國國務院國有資產監督管理委員會)
“Sea Wave Wind Power”	Hailin China Power Sea Wave Wind Power Generation Company Limited* (海林中電海浪風力發電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPINE
“Settlement of the Acquisitions”	the settlement of the consideration by the Company after the Completion as required under the Acquisition Agreements (or, where the context requires, Agreement I or Agreement II)
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shangqiu Environmental”	Shangqiu China Power Environmental Power Generation Company Limited* (商丘中電環保發電有限公司), a company incorporated in the PRC, and a non-wholly owned subsidiary of CPNE which is owned as to 85% by CPNE after the completion of the Pre-Reorganization
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s)
“Special Mandate”	the special mandate to authorise the Directors to allot and issue Shares to be sought from the Independent Shareholders at the General Meeting to satisfy the allotment and issue of the Consideration Shares

DEFINITIONS

“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling shareholder of the Company, a wholly State-owned enterprise established by the approval of the State Council of the PRC* (中華人民共和國國務院)
“SPIC Finance HK”	SPIC International Finance (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of SPIC, thus an associate of SPIC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Companies”	Target Companies I and Target Companies II (individually the Target Company where the context requires)
“Target Companies I”	Dafeng Wind Power, Chunyang Mountain Wind Power, Jiuquan Third Wind Power, Guazhou Wind Power, Wuwei Photovoltaic, Baiyin Photovoltaic, Panzihua Photovoltaic, Yuanjiang Photovoltaic, Haikou Second Environmental, Wenchang Environmental, Deyang Environmental, Shangqiu Environmental, Haikou Environmental, Bazhou Environmental, Hainan Environmental and Qionghai Environmental, each of which a Target Company I
“Target Companies II”	Inner Mongolia Wind Power, Hongqi Wind Power, Sea Wave Wind Power, Qiaowan Wind Power, Guazhou Wind Power, Wuwei Photovoltaic, Baiyin Photovoltaic, Jiangxi Photovoltaic, Zhao’an Photovoltaic and Hainan Photovoltaic, each of which a Target Company II
“Wenchang Environmental”	Wenchang China Power Environmental Power Generation Company Limited* (文昌中電環保發電有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization
“Wuwei Photovoltaic”	Gansu China Power Wuwei Photovoltaic Power Generation Company Limited* (甘肅中電武威光伏發電有限公司), a company incorporated in the PRC and owned as to 51% by CPNE and 49% by CPINE, respectively

DEFINITIONS

“Yuanjiang Photovoltaic”	Yuanjiang China Power Photovoltaic Power Generation Company Limited* (元江中電光伏發電有限公司), a company incorporated in the PRC, and a wholly-owned subsidiary of CPNE after the completion of the Pre-Reorganization
“Zhao’an Photovoltaic”	Zhao’an China Power Photovoltaic Power Generation Company Limited* (詔安中電光伏發電有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of CPINE

* *English or Chinese translation, as the case may be, is for identification only*

This circular contains translation between Renminbi and Hong Kong dollars at RMB0.85519 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

Chairman of the Board and Executive Director:

HE Xi

Executive Director and President:

GAO Ping

Non-executive Directors:

ZHOU Jie

XU Zuyong

Independent non-executive Directors:

LI Fang

YAU Ka Chi

HUI Hon Chung, Stanley

Registered Office:

Suite 6301, 63/F

Central Plaza

18 Harbour Road

Wanchai, Hong Kong

28 July 2022

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
THE ACQUISITIONS OF THE EQUITY INTERESTS IN THE TARGET
COMPANIES INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIAL MANDATE**

I. INTRODUCTION

Reference is made to the Announcement in relation to the Acquisitions.

On 30 June 2022, the Company entered into Agreement I with CPNE, an indirect non-wholly owned subsidiary of SPIC, pursuant to which the Company has conditionally agreed to acquire, and CPNE has conditionally agreed to sell, Equity Interests I at the consideration of RMB5,782,593,419.82 (equivalent to approximately HK\$6,761,764,543.34) subject to adjustment, which will be settled by the issue of the Consideration Shares to CPNE by the Company under the Special Mandate at the Issue Price of HK\$4.40 (equivalent to approximately RMB3.76 based on the exchange rate of HK\$1.00 to RMB0.85519 as stated in Agreement I) per Consideration Share.

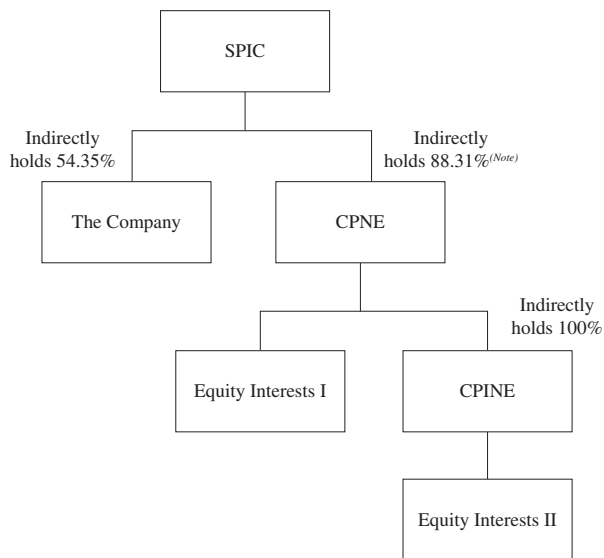
LETTER FROM THE BOARD

On 30 June 2022, the Company has also entered into Agreement II with CPINE, an indirect non-wholly owned subsidiary of SPIC, pursuant to which the Company has conditionally agreed to acquire, and CPINE has conditionally agreed to sell, Equity Interests II at the consideration of RMB1,670,098,862.61 (equivalent to approximately HK\$1,952,898,025.71) subject to adjustment, which will be settled by cash.

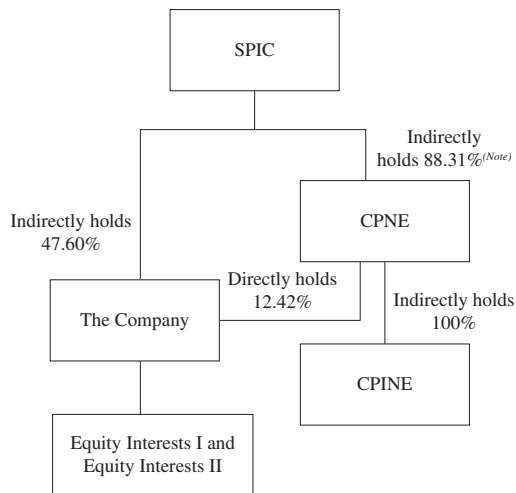
The Target Companies are principally engaged in clean energy power generation, mainly including wind power, photovoltaic power and environmental waste power. The Acquisitions will accelerate the progress of the Company's strategy to rapidly expand its clean energy business and expand its clean energy base in new regions in the PRC. It also enables the Group to further capitalize the opportunities on the leap-forward development of wind power and photovoltaic power generation under the national "14th Five-Year Plan".

The charts below set out the change in the shareholding structure of SPIC, the Company, CPNE and CPINE before and after Completion of the Acquisitions.

(i) After the Pre-Reorganization and immediately before Completion of the Acquisitions



(ii) After Completion of the Acquisitions (assuming that there will be no change in the total number of issued Shares between the Latest Practicable Date and the Completion Date)



Note: As at the Latest Practicable Date, CPNE was held as to 88.31% by SPIC, 27.10% of which was pending formal completion of transfer procedures from China Three Gorges Corporation Limited* (中國長江三峽集團有限公司) (a wholly-owned subsidiary of the SASAC) to SPIC.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisitions and the transactions contemplated thereunder; (ii) a letter of recommendation of the Independent Board Committee; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the General Meeting.

II. THE ACQUISITIONS

A. The Acquisition Agreements

Agreement I

Date

30 June 2022

Parties

- (i) the Company (as the Purchaser)
- (ii) CPNE (as the Seller)

Assets to be acquired

The Company has conditionally agreed to acquire, and CPNE has conditionally agreed to sell, Equity Interests I.

Consideration

The total consideration for the acquisition of Equity Interests I is RMB5,782,593,419.82 (equivalent to approximately HK\$6,761,764,543.34).

Pursuant to the Agreement I, the consideration for the acquisition of Equity Interests I is to be satisfied by the Company allotting and issuing up to 1,536,764,662 new Shares (i.e. the Consideration Shares) at the price of HK\$4.40 (equivalent to approximately RMB3.76 based on the exchange rate of HK\$1.00 to RMB0.85519 as stated in Agreement I) per Consideration Share to CPNE.

The consideration (including the Issue Price of the Consideration Shares) was arrived at after arm's length negotiations between the Company and CPNE, and was primarily based on (i) the appraised value of the Target Companies I according to the Asset Appraisal Reports, (ii) the amount of dividend attributable to the profits generated from the Target Companies I up to the Appraisal Benchmark Date as declared by the Target Companies I to be distributed to their original shareholders prior to Completion and (iii) the percentage of equity interest represented by the relevant Equity Interests I in the respective Target Companies I.

The consideration of Equity Interests I will be subject to adjustment with the increase in the registered paid-up capital of Target Companies I (the aggregate amount to be made to all the Target Companies I and Target Companies II is subject to a cap of RMB40 million) subsequent to the Appraisal Benchmark Date and prior to Completion (if any). The relevant additional consideration payable by the Company to CPNE as a result of such adjustment shall be settled in cash within two months after Completion.

LETTER FROM THE BOARD

The Directors (save for the members of the Independent Board Committee who will express their views after having received Gram Capital's advice in writing on the Acquisitions) are of the view that the consideration for the purchase of Equity Interests I and the other terms of Agreement I are fair and reasonable, on normal commercial terms and that Acquisition I is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares

Issue Price

The Issue Price of HK\$4.40 (equivalent to approximately RMB3.76 based on the exchange rate of HK\$1.00 to RMB0.85519 as stated in Agreement I) per Consideration Share represents:

- (i) a premium of approximately 7.90% to the average closing price of approximately HK\$4.08 per Share as quoted on the Stock Exchange for the last ninety consecutive trading days up to and including 29 June 2022, the last trading date before the date of the Agreement I;
- (ii) a premium of approximately 7.87% to the average closing price of approximately HK\$4.08 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days up to and including 29 June 2022, the last trading date before the date of the Agreement I;
- (iii) a premium of approximately 3.12% to the average closing price of approximately HK\$4.27 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including 29 June 2022, the last trading date before the date of the Agreement I;
- (iv) a discount of approximately 8.49% to the average closing price of approximately HK\$4.81 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 29 June 2022, the last trading date before the date of the Agreement I; and
- (v) a discount of approximately 1.35% to the closing price of HK\$4.46 per Share as quoted on the Stock Exchange on 25 July 2022, being the Latest Practicable Date.

Basis for determining the Issue Price

The Issue Price was arrived at after arm's length negotiations between the Company and CPNE with reference to the prevailing and recent historical trading prices up to the date prior to the Acquisition Agreements of the Shares and the current market conditions.

LETTER FROM THE BOARD

Number of Consideration Shares

When allotted and issued, the maximum number of Consideration Shares will represent approximately: (i) 14.19% of the total number of issued Shares of the Company as at the date of the Agreement I; and (ii) 12.42% of the total number of issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there will be no change in the total number of issued Shares between the date of the Agreement I and the issuance of the Consideration Shares). There has been no change to the number of issued Shares between the date of the Agreement I and the Latest Practicable Date. Details of the effect of the Consideration Shares on the shareholding structure of the Company are set out in the section headed “D. Effect on the Shareholding Structure” below.

Ranking and restrictions on subsequent sale

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue on the date of allotment and issue of the Consideration Shares. There is no restriction on the subsequent sale of the Consideration Shares by CPNE.

Mandate to issue the Consideration Shares

At the General Meeting, the Company will seek the Special Mandate from the Independent Shareholders in order to issue the Consideration Shares.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Agreement II

Date

30 June 2022

Parties

- (i) the Company (as the Purchaser)
- (ii) CPINE (as the Seller)

Assets to be acquired

The Company has conditionally agreed to acquire, and CPINE has conditionally agreed to sell, the Equity Interests II.

LETTER FROM THE BOARD

Consideration

The total consideration for the acquisition of Equity Interests II is RMB1,670,098,862.61 (equivalent to approximately HK\$1,952,898,025.71).

Pursuant to the Agreement II, the consideration for the acquisition of Equity Interests II is to be satisfied by the Company in cash.

The consideration was arrived at after arm's length negotiations between the Company and CPINE, and it was primarily based on (i) the appraised value of the Target Companies II according to the Asset Appraisal Reports, (ii) the amount of dividend attributable to the profits generated from the Target Companies II up to the Appraisal Benchmark Date as declared by the Target Companies II to be distributed to their original shareholders prior to Completion and (iii) the percentage of equity interest represented by the relevant Equity Interests II in the respective Target Companies II.

The consideration of Equity Interests II will be subject to adjustment with the increase in the registered paid-up capital of Target Companies II (other than Baiyin Photovoltaic) (the aggregate amount to be made to all the Target Companies I and Target Companies II is subject to a cap of RMB40 million) subsequent to the Appraisal Benchmark Date and prior to Completion (if any). The relevant additional consideration payable by the Company to CPINE as a result of such adjustment shall be settled in cash within two months after Completion.

The Directors (save for the members of the Independent Board Committee who will express their views after having received Gram Capital's advice in writing on the Acquisitions) are of the view that the consideration for the purchase of Equity Interests II and the other terms of Agreement II are fair and reasonable, on normal commercial terms and that Acquisition II is in the interests of the Company and the Shareholders as a whole.

Conditions precedent to Agreement I and Agreement II

Completion of each of Target Companies I and Target Companies II is conditional upon satisfaction of, among other things, the following conditions under the respective Agreement I and Agreement II:

- (i) the Seller, the Company and the relevant Target Company having obtained all necessary permissions, approvals, consents, registrations, filings and other legally necessary types of authorizations internally and externally from regulatory authorities and third parties for the execution and performance of the Agreement (including but not limited to those required by the relevant government authorities, financial institutions or concession grantors pursuant to the relevant concession agreements);

LETTER FROM THE BOARD

- (ii) the due execution and delivery by the relevant parties of the new articles of association and new shareholders' agreements of the relevant Target Company (if any), which shall take effect upon Completion;
- (iii) the representations and warranties made by the Seller pursuant to the Agreement being true, accurate, complete and not misleading in any respect on the signing and effective dates of the Agreement and the Completion Date;
- (iv) there is no change in respect of the financial position of the relevant Target Company in breach of the Agreement or any other unusual change since the Appraisal Benchmark Date (other than any dividend declared by the relevant Target Company to be distributed and any capital injection to be made by its original shareholders as stated in the Agreement);
- (v) apart from the Seller, all the other shareholders of the relevant Target Company (if any) having given their written consent to the transfer of the relevant Equity Interests and waived all their pre-emptive rights;
- (vi) the Agreement remaining valid and without any breach and dispute;
- (vii) where applicable, the completion of the transfer of the relevant Pre-Reorganization Equity Interests from the respective sellers to CPNE pursuant to the Pre-Reorganization Agreements and the registration of CPNE as the shareholder of the relevant Pre-Reorganization Equity Interests;
- (viii) the approval of the Agreement and the Acquisition by the Independent Shareholders in accordance with the Listing Rules;
- (ix) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares (and such listing and permission not subsequently revoked prior to Completion); and
- (x) filing of the Asset Appraisal Reports in accordance with the relevant regulations as promulgated by the SASAC.

The above conditions (vii) and (ix) are applicable only to Agreement I. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

For the avoidance of doubt, subject to relevant provisions in Agreement I and Agreement II, the parties could proceed to Completion of any Target Company I or Target Company II after the above conditions in relation to such Target Company I or Target Company II having been satisfied. Completion in respect of any of the Equity Interests I or Equity Interests II shall not be conditional upon the above conditions in relation to other Equity Interests I or Equity Interests II being satisfied.

LETTER FROM THE BOARD

Settlement of the Acquisitions

The Settlement of Acquisition I and Acquisition II in relation to each of the Equity Interests I and Equity Interests II shall take place within two months after Completion.

Right of First Refusal under Agreement I and Agreement II

If the Seller proposes to transfer directly or indirectly to one or more third parties its existing or future equity interests in any project company in respect of any new energy project (other than the Equity Interests) (“**Potential Equity Interests**”), subject to the pre-emptive rights that other shareholders of such project company(ies) may have as provided for in the relevant articles of association and PRC law, the Company shall have a right of first refusal to acquire all or any part of such Potential Equity Interests.

Regulatory requirements in respect of the Acquisition Agreements

In order to comply with the PRC regulatory requirements set forth by the SASAC, the Company engaged Lixin, an independent and qualified PRC appraiser, to perform asset appraisals and prepared the Asset Appraisal Reports in respect of the Target Companies as at the Appraisal Benchmark Date.

The asset appraisals that formed the basis of the consideration for the Acquisitions were made under the income approach with discounted cash flow method, which constituted a profit forecast under Rule 14.61 of the Listing Rules. The summary of the Asset Appraisal Reports are set out in Appendix I to this circular. CICC, the Company’s financial adviser, has confirmed that they are satisfied that the profit forecast was made by the Board after due and careful enquiry. The full text of the letter from CICC is contained in Appendix II to this circular. Ernst & Young, the Company’s reporting accountant, has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast contained in the Asset Appraisal Reports. The full text of the report from Ernst & Young is contained in Appendix III to this circular.

The consideration allocated to each of the Equity Interests

The following table sets out (i) the appraised value of the entire equity capital of each of the Target Companies as at the Appraisal Benchmark Date, (ii) the amount of dividend attributable to the profits generated from the relevant Target Companies up to the Appraisal Benchmark Date and as declared by those Target

LETTER FROM THE BOARD

Companies to be distributed to their original shareholders prior to Completion and (iii) the consideration allocated to each of the Equity Interests:

Target Companies	Appraised value of Target Companies as at the Appraisal Benchmark Date (RMB)	Amount of dividend attributable to the profits generated from the Target Companies up to the Appraisal Benchmark Date and as declared by the Target Companies to be distributed to their original shareholders prior to Completion (RMB)	Percentage of equity interest represented by the relevant Equity Interests I	Consideration allocated to each of the Equity Interests I (RMB)	Percentage of equity interest represented by the relevant Equity Interests II	Consideration allocated to each of the Equity Interests II (RMB)
1 Inner Mongolia Wind Power	195,000,000	22,089,647.74			100%	172,910,352.26
2 Hongqi Wind Power	161,000,000	17,643,528.60			100%	143,356,471.40
3 Sea Wave Wind Power	152,000,000	10,953,889.28			100%	141,046,110.72
4 Qiaowan Wind Power	478,000,000	30,866,396.89			100%	447,133,603.11
5 Dafeng Wind Power	536,000,000	19,888,769.68	100%	516,111,230.32		
6 Chunyang Mountain Wind Power	437,000,000	163,484,774.44	100%	273,515,225.56		
7 Jiuquan Third Wind Power	3,888,400,000	231,730,729.65	73.3049%	2,680,517,751.96		
8 Guazhou Wind Power	657,000,000	276,557,684.39	46.0877%	175,337,113.09	53.9123%	205,105,202.52
9 Wuwei Photovoltaic	449,100,000	95,884,946.41	51%	180,139,677.33	49%	173,075,376.26
10 Baiyin Photovoltaic	823,000,000	148,406,926.30	30.8397%	208,042,480.15	29.6303%	199,883,951.52
11 Jiangxi Photovoltaic	54,000,000	21,132,660.52			70%	23,007,137.64
12 Zhao'an Photovoltaic	118,000,000	34,811,786.90			100%	83,188,213.10
13 Hainan Photovoltaic	110,200,000	28,807,555.92			100%	81,392,444.08
14 Panzihua Photovoltaic	194,000,000	42,540,000.00	100%	151,460,000.00		
15 Yuanjiang Photovoltaic	79,000,000	2,450,000.00	100%	76,550,000.00		
16 Haikou Second Environmental	329,715,000	51,582,653.36	100%	278,132,346.64		
17 Wenchang Environmental	102,384,800	9,141,172.06	100%	93,243,627.94		
18 Deyang Environmental	258,607,200	55,040,000.00	70%	142,497,040.00		
19 Shangqiu Environmental	170,538,900	16,569,501.90	85%	130,873,988.39		
20 Haikou Environmental	242,023,600	36,988,645.33	100%	205,034,954.67		
21 Bazhou Environmental	234,312,300	34,430,000.00	100%	199,882,300.00		
22 Hainan Environmental	240,238,500	23,302,911.93	100%	216,935,588.07		
23 Qionghai Environmental	262,461,000	8,140,904.30	100%	254,320,095.70		
Total	<u>10,171,981,300</u>	<u>1,382,445,085.60</u>		<u>5,782,593,419.82</u> ^{Note 1}		<u>1,670,098,862.61</u> ^{Note 2}

LETTER FROM THE BOARD

Notes:

1. The total consideration for Acquisition I is RMB5,782,593,419.82 (equivalent to approximately HK\$6,761,764,543.34).
2. The total consideration for Acquisition II is RMB1,670,098,862.61 (equivalent to approximately HK\$1,952,898,025.71).

B. Reasons for and Benefits of the Acquisitions

(1) Accelerate the implementation of the Company's strategy and rapidly increase the proportion of clean energy in its power generation portfolio

The acquisition of clean energy assets such as wind power, photovoltaic power and environmental waste power assets from CPNE and CPINE under the Acquisitions will further increase the Group's proportion of clean energy assets in its power generation portfolio, which is in line with the Company's strategies. After the Completion of the Acquisitions, the proportion of the Group's installed capacity attributable to clean energy is expected to increase by approximately 3.32%, accelerating the progress of the Company in achieving its strategic goal of "transitioning to a clean energy company with its installed capacity attributable to clean energy reaching over 70% and revenue attributable to clean energy reaching over 50% by the end of 2023".

(2) Expand the Group's business scope by operating its first environmental waste power generation business segment

The assets to be acquired include eight high-quality environmental waste power generation companies. After the Completion of the Acquisitions, the Group will operate the environmental waste power generation segment for the first time, further expanding its business scope and bringing additional growth opportunities for the Group, which will be of great strategic significance to the Company.

(3) Expand the Group's business presence to the Hainan Pilot Free Trade Zone, strengthening its power generation network in Jing-Jin-Ji and Northwest China

The environmental waste power generation companies to be acquired under the Acquisitions are mainly located in Hainan and Hebei, which will allow the Group to establish its business network in the Hainan Pilot Free Trade Zone and expand its business in the Jing-Jin-Ji regions. The injection of large scale wind power and photovoltaic power clusters in Gansu will also further enhance the Group's business influence in the sizable new energy base in Northwest China.

LETTER FROM THE BOARD

(4) Improve quality of assets and profitability

The clean energy assets to be acquired have attractive historical profitability profile, which is expected to improve the Group's overall operating results. The profitability of these assets can be further enhanced (which will in turn contribute to the profitability of the Group) through subsequent technical transformation, capital coordination and management synergy.

(5) Reflect SPIC's support to the Company and further rationalise the shareholding in and management of the assets

The Acquisitions fully reflect SPIC's support to the Company and is the largest injection of renewable energy assets by SPIC to the Group since its listing. The management of clean energy assets to be acquired had been entrusted to the Company by CPI Holding prior to the Acquisitions. The Acquisitions will further rationalise the shareholding in and management of the assets.

C. Proposed Financing for the Acquisitions

The cash consideration payable by the Company to CPNE and CPINE under the Acquisition Agreements will be funded by the Group's internal resources and/or external debt financing.

D. Effect on the Shareholding Structure

The following table sets out the effect of the issue of the Consideration Shares on the shareholding structure of the Company based on the total number of issued Shares as at the Latest Practicable Date and assuming Completion having taken place, without taking into account any other new Shares, if any, after the Latest Practicable Date and prior to the allotment and issue of the Consideration Shares:

Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issue of Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
CPI Holding (<i>Note</i>)	2,833,518,060	26.16	2,833,518,060	22.91
CPDL	2,662,000,000	24.57	2,662,000,000	21.52
SPIC Finance HK	392,275,453	3.62	392,275,453	3.17
CPNE	0	0	1,536,764,662	12.42
Public	<u>4,945,592,808</u>	<u>45.65</u>	<u>4,945,592,808</u>	<u>39.98</u>
Total	<u>10,833,386,321</u>	<u>100.00</u>	<u>12,370,150,983</u>	<u>100.00</u>

Note: As at the Latest Practicable Date, CPI Holding is the beneficial owner of 2,833,518,060 Shares, representing approximately 26.16% of the total number of Shares in issue and it also owns approximately 66.52% of the shares in CPDL.

LETTER FROM THE BOARD

E. Information on the Target Companies

Set out below are the profit before/after taxation, total assets and net assets of the Target Companies for the relevant periods indicated:

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)
Combined profit before taxation	479,734	674,116
Combined profit after taxation	408,800	596,150
	As at 31 December 2020 (RMB'000)	As at 31 December 2021 (RMB'000)
Combined total assets	14,379,271	16,644,181
Combined net assets	6,431,660	8,446,210

Set out below are the principal business and installed capacity in operation of the Target Companies as at the Latest Practicable Date, and the profit before/after taxation of the Target Companies for the year ended 31 December 2021:

No.	Target Company	Principal business	Installed capacity in operation (MW)	Profit before taxation for the year ended 31 December 2021 (RMB'000)	Profit after taxation for the year ended 31 December 2021 (RMB'000)
1	Inner Mongolia Wind Power	Wind farm development and construction and sale of carbon trading credits	49.50	18,706	15,854
2	Hongqi Wind Power	Development, construction and operation of wind power generation and other new energy	49.50	13,173	9,880
3	Sea Wave Wind Power	Development, construction and operation of wind power generation and other new energy	49.25	6,915	5,186

LETTER FROM THE BOARD

No.	Target Company	Principal business	Installed capacity in operation (MW)	Profit before taxation for the year ended 31 December 2021 (RMB'000)	Profit after taxation for the year ended 31 December 2021 (RMB'000)
4	Qiaowan Wind Power	Construction of wind power plant, wind power generation, sale of electricity and carbon trading credits	120.50	30,746	26,134
5	Dafeng Wind Power	Construction of wind farm, wind power generation, sale of electricity and carbon trading credits	250.25	42,292	40,255
6	Chunyang Mountain Wind Power	Wind power generation and sale of electricity	80.00	49,008	42,882
7	Jiuquan Third Wind Power	Construction of wind power plant, wind power generation, sale of electricity and carbon trading credits	859.00	217,364	185,111
8	Guazhou Wind Power	Construction and operation of wind farms, wind power generation and sale of electricity	149.50	17,827	15,136
9	Wuwei Photovoltaic	Construction of photovoltaic power station, photovoltaic power generation, sale of electricity and carbon trading credits	120.00	21,418	18,167
10	Baiyin Photovoltaic	Construction of photovoltaic power station, photovoltaic power generation, sale of electricity and carbon trading credits	120.00	39,669	34,208
11	Jiangxi Photovoltaic	Sale and purchase of electricity, new energy technology development and consulting services	16.03	5,379	4,687

LETTER FROM THE BOARD

No.	Target Company	Principal business	Installed capacity in operation (MW)	Profit before taxation for the year ended 31 December 2021 (RMB'000)	Profit after taxation for the year ended 31 December 2021 (RMB'000)
12	Zhao'an Photovoltaic	Photovoltaic power generation	20.00	9,396	8,140
13	Hainan Photovoltaic	New energy project investment and operation	20.00	11,001	8,321
14	Panzhuhua Photovoltaic	Solar power generation	34.30	24,255	22,397
15	Yuanjiang Photovoltaic	Construction of photovoltaic power station, photovoltaic power generation, sale of electricity and carbon trading credits	20.00	1,799	1,491
16	Haikou Second Environmental	Waste power generation and sale of electricity	40.00	57,314	57,314
17	Wenchang Environmental	Biomass power generation, supply of heat and electricity and solid waste management	12.00	10,157	10,157
18	Deyang Environmental	Investment development, construction and operation of waste power plant and sale of electricity	24.00	22,094	22,089
19	Shangqiu Environmental	Biomass power generation, supply of heat and electricity and solid waste management	24.00	17,224	17,224
20	Haikou Environmental	Incineration of domestic waste, power generation and sale of electricity	24.00	18,353	16,330

LETTER FROM THE BOARD

No.	Target Company	Principal business	Installed capacity in operation (MW)	Profit before taxation for the year ended 31 December 2021 (RMB'000)	Profit after taxation for the year ended 31 December 2021 (RMB'000)
21	Bazhou Environmental	Generation, supply and sale of power, energy project development and operation, power technology consulting services and waste treatment services	24.00	20,372	20,372
22	Hainan Environmental	Generation, transmission and supply of power	24.00	10,609	5,770
23	Qionghai Environmental	Supply of electricity, sale of renewable resources and waste treatment services	25.00	9,045	9,045
Total			<u>2,154.83</u>	<u>674,116</u>	<u>596,150</u>

F. Information on the Group, CPNE and CPINE

The Company is a core subsidiary of SPIC. SPIC (together with its subsidiaries) is an integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC.

The Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and coal-fired power plants; and provision of energy storage, green power transportation, and integrated intelligent energy solution services. Its businesses are located in the major power grid regions of China.

LETTER FROM THE BOARD

CPNE is an investment holding company incorporated in Hong Kong and an indirect non-wholly owned subsidiary ultimately controlled by SPIC. As at the Latest Practicable Date, CPNE was owned as to (i) 88.31% by SPIC, 27.10% of which was pending formal completion of transfer procedures from China Three Gorges Corporation Limited* (中國長江三峽集團有限公司) (a wholly-owned subsidiary of the SASAC) to SPIC; (ii) 7.58% by Shining East Investment Limited* (光東投資有限公司), a wholly-owned subsidiary of China National Offshore Oil Corporation* (中國海洋石油集團有限公司) which is ultimately owned by the SASAC; (iii) 2.86% by China Energy Engineering Group Guangdong Electric Power Design Institute Co., Ltd.* (中國能源建設集團廣東省電力設計研究院有限公司), a wholly-owned subsidiary of China Energy Engineering Group Planning and Engineering Co., Ltd.* (中國能源建設集團規劃設計有限公司) which is ultimately owned by the SASAC; and (iv) 1.25% by other individual shareholders who are third parties independent of the Company. CPNE and its subsidiaries are principally engaged in the development, owning, operating and management of clean energy power plants in China, including but not limited to natural gas power generation, wind power generation, hydropower generation, waste-to-energy power generation, photovoltaic power generation, and other clean energy power generation projects. As at 31 December 2021, CPNE and its subsidiaries owned and/or controlled 48 power generation plants in 23 provinces in China, including Guangdong, Fujian, Gansu, Jiangsu and Chongqing, etc., and the electricity generated therefrom is sold to Southern Power Grid, East China Power Grid, Northeast Power Grid and Northwest Power Grid.

CPINE is a company incorporated in the PRC, a wholly-owned subsidiary of CPNE and an indirect non-wholly owned subsidiary ultimately controlled by SPIC. As at the Latest Practicable Date, SPIC through CPNE, owns approximately 88.31% of the issued share capital of CPINE. CPINE and its subsidiaries are principally engaged in the investment in clean energy power generation and waste-to-energy power generation projects in China, including wind power generation, photovoltaic power generation, natural gas power generation, hydropower generation and waste-to-energy power generation.

SPIC is principally engaged in investment holding with business covers the power, coal, aluminum, logistics, finance, environmental protection and high-tech industries in the PRC and overseas countries.

III. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, SPIC indirectly owns approximately 54.35% of the issued share capital of the Company and is the ultimate controlling shareholder of the Company. Accordingly, SPIC, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules. Each of CPNE and CPINE is an indirect non-wholly owned subsidiary ultimately owned and controlled by SPIC. As such, CPNE and CPINE are both connected persons of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions, when aggregated, exceed(s) 5% but all are below 25%, the Acquisitions constitute (i) discloseable transactions of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and (ii) connected transactions of the Company subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The exercise of the Right of First Refusal is at the discretion of the Company. According to Rule 14A.79(2) of the Listing Rules, the grant of the Right of First Refusal is classified based on the amount of the premium payable by the Company. As no premium is payable for the grant of the Right of First Refusal to the Company, such grant falls within the *de minimis threshold* and is exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules. The Company will comply with the requirements of the applicable Listing Rules in this respect as and when appropriate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from the holding companies of the Company, namely CPI Holding (being interested in 2,833,518,060 Shares, representing approximately 26.16% of the total number of Shares as at the Latest Practicable Date), CPDL (being interested in 2,662,000,000 Shares, representing approximately 24.57% of the total number of Shares as at the Latest Practicable Date) and SPIC Finance HK (being interested in 392,275,453 Shares, representing approximately 3.62% of the total number of Shares as at the Latest Practicable Date) (each of whom is required to abstain from voting), no other Shareholder will be required to abstain from voting on the resolution for approving the Acquisitions, the Acquisition Agreements and the Special Mandate at the General Meeting. None of the Directors has a material interest in the proposed Acquisitions and had to abstain from voting on the relevant Board resolutions.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the Acquisitions, the Acquisition Agreements and the Special Mandate, and Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole.

IV. GENERAL MEETING

The GM will be held on Wednesday, 24 August 2022 at 10:00 a.m. at the Company's registered office as the principal meeting place together with an online live webcast simultaneously, during which ordinary resolution will be proposed to the Independent Shareholders to approve the Acquisitions, the Acquisition Agreements, the Special Mandate and the transactions contemplated thereunder. CPI Holding, CPDL and SPIC Finance HK, being shareholders of the Company and associates of SPIC, will abstain from voting on the ordinary resolution to approve the Acquisitions, the Acquisition Agreements, the Special Mandate and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the GM will be taken by poll.

LETTER FROM THE BOARD

A notice convening the GM for the purpose of considering and, if thought fit, approving the Acquisitions, the Acquisition Agreements, the Special Mandate and the transactions contemplated is set out on pages 82 to 86 of this circular.

In light of the risks posed by the ongoing COVID-19 pandemic and the uncertainties as to the next wave of infections, the Company is adopting special arrangements for the GM. The GM will be held on the Company's registered office as the principal meeting place together with an online live webcast simultaneously. **Due to the current COVID-19 pandemic situation and the uncertainties as to the next wave of infections, Shareholders are only invited to join the online GM.**

The Company will make available a live webcast of the GM for all registered Shareholders. **Registered Shareholders may view and listen to the GM through the live webcast. Registered Shareholders shall receive a separate letter for the meeting ID and the user passcode to access the live webcast of the GM.**

As required under the articles of association of the Company regarding quorate meeting, the quorum of the GM will be formed by Directors or other senior staff who are Shareholders or proxies. The inability of any Shareholder or his/her proxy or (in the case of a Shareholder being a corporation) its duly authorized representative to access, or continue to access the live webcast shall not affect the validity of the GM or the resolution passed, or any business conducted at the GM or any action taken pursuant to such business provided that a quorum is present throughout the GM.

As set out in the "Special Arrangements for the General Meeting" of the notice of GM, Shareholders will NOT be able to attend the GM in person, but may view and listen to the GM by online live webcast. Shareholders who wish to vote at the GM should complete and return the form of proxy, appointing the chairman of the GM as their proxies to exercise their voting rights, (i) to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (ii) electronically via the Company's email address at eproxy@chinapower.hk not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof (as the case may be). Any person appointed by the Shareholders as proxy other than the chairman of the GM will not be permitted entry to the GM and therefore will not be able to exercise their vote.

A form of proxy for use at the GM is enclosed with this circular or can be downloaded from the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chinapower.hk.

Shareholders are reminded to read carefully the "Special Arrangements for the General Meeting" in the notice of GM as set out at the end of this circular.

LETTER FROM THE BOARD

V. RECOMMENDATION

The Directors (including the independent non-executive Directors whose view are expressed in the letter from the Independent Board Committee) consider that the Acquisitions, the Acquisition Agreements, the Special Mandate and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the Acquisitions, the Acquisition Agreements, the Special Mandate and the transactions contemplated thereunder.

* *English translation is for identification only.*

Yours faithfully,
On behalf of the Board
China Power International Development Limited
HE Xi
Chairman



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

28 July 2022

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
THE ACQUISITIONS OF THE EQUITY INTERESTS IN THE TARGET
COMPANIES INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER SPECIAL MANDATE**

We refer to the circular dated 28 July 2022 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisitions, the Acquisition Agreements, the Special Mandate and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 10 to 28 of the Circular which contains, among others, information in connection with the Acquisition Agreements, as well as the letter from Gram Capital set out on pages 31 to 64 of the Circular which contains its advice and recommendation in this regard.

Having considered the terms of the Acquisition Agreements and taken into account the advice of Gram Capital, we consider that the Acquisitions and the Special Mandate, (i) are in the ordinary and usual course of business of the Group, (ii) are in the interest of the Company and the Shareholders as a whole; and (iii) the terms of the Acquisition Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Acquisitions, the Acquisition Agreements, the Special Mandate and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee
China Power International Development Limited
LI Fang
YAU Ka Chi
HUI Hon Chung, Stanley

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

28 July 2022

*To: The independent board committee and the independent shareholders
of China Power International Development Limited*

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF THE EQUITY INTERESTS IN THE TARGET COMPANIES INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 July 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 June 2022, the Company and CPNE entered into Agreement I pursuant to which the Company conditionally agreed to acquire, and CPNE conditionally agreed to sell, Equity Interests I to the Company at a consideration of RMB5,782,593,419.82 (equivalent to approximately HK\$6,761,764,543.34) subject to adjustment, which will be settled by the issue of the Consideration Shares to CPNE by the Company under the Special Mandate at the Issue Price of HK\$4.40 (equivalent to approximately RMB3.76 based on the exchange rate of HK\$1.00 to RMB0.85519 as stated in Agreement I) per Consideration Share.

On even date, the Company and CPINE entered into Agreement II pursuant to which the Company conditionally agreed to acquire, and CPINE conditionally agreed to sell, Equity Interests II to the Company at a consideration of RMB1,670,098,862.61 (equivalent to approximately HK\$1,952,898,025.71) subject to adjustment, which will be settled by cash.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Acquisitions constitute discloseable and connected transactions of the Company and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. LI Fang, Mr. YAU Ka Chi and Mr. HUI Hon Chung, Stanley (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Acquisitions are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisitions are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Acquisitions and the transactions contemplated thereunder at the General Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in respect of (i) the reasonableness of interest rate of a loan (unsecured and unguaranteed) granted by a connected person, in connected with which a letter was issued by Gram Capital in October 2020; (ii) discloseable and connected transactions, details of which were set out in the Company's circular dated 13 May 2021; and (iii) discloseable and continuing connected transactions, details of which were set out in the Company's circular dated 18 May 2022.

Notwithstanding the aforesaid engagements, we are not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered that (i) none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial advisory engagements, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts

LETTER FROM GRAM CAPITAL

contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Acquisitions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Group or the Target Companies and we have not been furnished with any such evaluation or appraisal, save as and except for the Asset Appraisal Reports of the Target Companies prepared by Lixin. Since we are not experts in the valuation of assets or businesses, we have relied solely upon the Asset Appraisal Reports as at the Appraisal Benchmark Date (i.e. 31 December 2021).

The 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 the 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 the Circular or any statement therein misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CPNE, CPINE, the Target Companies or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisitions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisitions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company is a core subsidiary of SPIC. The Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and coal-fired power plants; and provision of energy storage, green power transportation, and integrated intelligent energy solution services. Its businesses are located in the major power grid regions of China.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2021 and 2020 as extracted from the Company's annual report for the year ended 31 December 2021 (the "2021 Annual Report"):

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000	Year-on-year change %
Revenue	34,734,288	28,427,721	22.18
— Coal-fired electricity	22,072,456	17,708,430	24.64
— Hydropower electricity	5,347,552	5,972,434	(10.46)
— Wind power electricity	3,401,228	2,013,996	68.88
— Photovoltaic power electricity	3,333,448	2,732,861	21.98
— Energy storage	579,604	—	N/A
Operating profit	4,600,867	6,371,860	(27.79)
(Loss)/profit attributable to equity holders of the Company	(515,693)	1,708,305	N/A
	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	Year-on-year change %
Total assets	174,754,102	155,948,671	12.06
Total liabilities	122,869,305	110,158,754	11.54
Total equity	51,884,797	45,789,917	13.31

As depicted in the above table, the Group recorded revenue of approximately RMB34.73 billion for the year ended 31 December 2021 ("FY2021"), representing an increase of approximately 22.18% as compared to that for the year ended 31 December 2020 ("FY2020"). With reference to the 2021 Annual Report, such increase was mainly attributable to the

LETTER FROM GRAM CAPITAL

commencement of commercial operation of various projects in wind power and photovoltaic power and the increase in electricity sales of coal-fired power as compared with FY2020, benefitted from the year-on-year growth in power demand. However, the revenue generated from hydropower decreased by approximately RMB624.88 million for FY2021, which was attributable to the decrease in electricity sales of hydropower during the year. The Group recorded loss attributable to equity holders of the Company for FY2021 (FY2020: profit attributable to equity holders of the Company), which was mainly due to the surge in coal prices in the second half of 2021, leading to a significant increase in the fuel cost of coal-fired power generation, while the on-grid tariffs had not been adjusted upward at the same time. The result of the coal-fired power generation segment turned from profit to loss for 2021, dragging down the overall performance of the Company. However, the Group's clean energy segments (especially the wind power and photovoltaic power generation segments) continued to achieve profitable growth for 2021, offsetting some of the losses in the coal-fired power generation.

As at 31 December 2021, the consolidated installed capacity of the Group's power plants was 28,931.9MW, representing a year-on-year increase of 2,086.1MW. Among them, the consolidated installed capacity of clean energy including hydropower, wind power, photovoltaic power and natural gas power was 15,091.9MW in total, accounting for approximately 52.16% of the total consolidated installed capacity and representing an increase of 8.18 percentage points as compared with the previous year. All of the additional installed capacity were derived from clean energy projects. As at 31 December 2021, the Group's total installed capacity of clean energy projects under construction exceeded 4,600MW.

As at 31 December 2021, the Group had (i) total assets of approximately RMB174.8 billion; (ii) net assets of approximately RMB51.88 billion; (iii) cash and cash equivalents of approximately RMB1.77 billion; and (iv) sufficient available undrawn financing facilities amounting to approximately RMB34.39 billion to safeguard against funding risks.

Information on CPNE

With reference to the Board Letter, CPNE is an investment holding company incorporated in Hong Kong and an indirect non-wholly-owned subsidiary ultimately controlled by SPIC. As at the Latest Practicable Date, SPIC owned approximately 88.31% of the issued share capital of CPNE. CPNE and its subsidiaries are principally engaged in the development, owning, operating and management of clean energy power plants in China, including but not limited to natural gas power generation, wind power generation, hydropower generation, waste-to-energy power generation, photovoltaic power generation, and other clean energy power generation projects. As at 31 December 2021, CPNE and its subsidiaries owned and/or controlled 48 power generation plants in 23 provinces in China, including Guangdong, Fujian, Gansu, Jiangsu and Chongqing, etc., and the electricity generated therefrom is sold to Southern Power Grid, East China Power Grid, Northeast Power Grid and Northwest Power Grid.

Information on CPINE

With reference to the Board Letter, CPINE is a company incorporated in the PRC, a wholly-owned subsidiary of CPNE and an indirect non-wholly-owned subsidiary ultimately controlled by SPIC. As at the Latest Practicable Date, SPIC through CPNE, owns approximately 88.31% of the issued share capital of CPINE. CPINE and its subsidiaries are

LETTER FROM GRAM CAPITAL

principally engaged in the investment in clean energy power generation and waste-to-energy power generation projects in China, including wind power generation, photovoltaic power generation, natural gas power generation, hydropower generation and waste-to-energy power generation.

Information on the Target Companies

As at the Latest Practicable Date, the Target Companies were owned by CPNE and/or CPINE (as the case may be). Details of the principal business and installed capacity in operation of the Target Companies as at the Latest Practicable Date are set out below as extracted from the section headed “E. Information on the Target Companies” of the Board Letter.

No.	Target Company	Principal business	Installed capacity in operation (MW)
1	Inner Mongolia Wind Power	Wind farm development and construction and sale of carbon trading credits	49.50
2	Hongqi Wind Power	Development, construction and operation of wind power generation and other new energy	49.50
3	Sea Wave Wind Power	Development, construction and operation of wind power generation and other new energy	49.25
4	Qiaowan Wind Power	Construction of wind power plant, wind power generation, sale of electricity and carbon trading credits	120.50
5	Dafeng Wind Power	Construction of wind farm, wind power generation, sale of electricity and carbon trading credits	250.25
6	Chunyang Mountain Wind Power	Wind power generation and sale of electricity	80.00
7	Jiuquan Third Wind Power	Construction of wind power plant, wind power generation, sale of electricity and carbon trading credits	859.00
8	Guazhou Wind Power	Construction and operation of wind farms, wind power generation and sale of electricity	149.50

LETTER FROM GRAM CAPITAL

No.	Target Company	Principal business	Installed capacity in operation (MW)
9	Wuwei Photovoltaic	Construction of photovoltaic power stations, photovoltaic power generation, sale of electricity and carbon trading credits	120.00
10	Baiyin Photovoltaic	Construction of photovoltaic power stations, photovoltaic power generation, sale of electricity and carbon trading credits	120.00
11	Jiangxi Photovoltaic	Sale and purchase of electricity, new energy technology development and consulting services	16.03
12	Zhao'an Photovoltaic	Photovoltaic power generation	20.00
13	Hainan Photovoltaic	New energy project investment and operation	20.00
14	Panzhuhua Photovoltaic	Solar power generation	34.30
15	Yuanjiang Photovoltaic	Construction of photovoltaic power stations, photovoltaic power generation, sale of electricity and carbon trading credits	20.00
16	Haikou Second Environmental	Waste power generation and sale of electricity	40.00
17	Wenchang Environmental	Biomass power generation, supply of heat and electricity and solid waste management	12.00
18	Deyang Environmental	Investment development, construction and operation of waste power plant and sale of electricity	24.00
19	Shangqiu Environmental	Biomass power generation, supply of heat and electricity and solid waste management	24.00
20	Haikou Environmental	Incineration of domestic waste, power generation and sale of electricity	24.00

LETTER FROM GRAM CAPITAL

No.	Target Company	Principal business	Installed capacity in operation (MW)
21	Bazhou Environmental	Generation, supply and sale of power, energy project development and operation, power technology consulting services and waste treatment services	24.00
22	Hainan Environmental	Generation, transmission and supply of power	24.00
23	Qionghai Environmental	Supply of electricity, sale of renewable resources and waste treatment services	25.00
Total			<u><u>2,154.83</u></u>

Set out below are the audited financial information of the Target Companies on a combined basis for the two years ended 31 December 2021 and 2020:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>	Year-on-year change %
Combined profit before taxation	674,116	479,734	40.52
Combined profit after taxation	596,150	408,800	45.83
	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>	Year-on-year change %
Combined total assets	16,644,181	14,379,271	15.75
Combined net assets	8,446,210	6,431,660	31.32

Based on the audited financial information of each of the Target Companies, all Target Companies recorded profit for the year ended 31 December 2021 and net asset value as at 31 December 2021.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Acquisitions

With reference to the Board Letter, reasons for and benefits of the Acquisitions includes (1) accelerating the implementation of the Company's strategy and rapidly increasing the proportion of clean energy in its power generation portfolio; (2) expanding the Group's business scope by operating its first environmental waste power generation business segment; and expanding the Group's business presence to the Hainan Pilot Free Trade Zone, strengthening its power generation network in Jing-Jin-Ji and Northwest China; (3) improving quality of assets and profitability; and (4) reflecting SPIC's support to the Company and further rationalising the shareholding in and management of the assets.

Industry overview

According to the National Bureau of Statistics, the gross domestic product ("GDP") of the PRC during the last five full years (2017 to 2021) had moved in an increasing trend and reached approximately RMB114,367.0 billion in 2021, representing a compound annual growth rate ("CAGR") of approximately 8.3% from 2017 to 2021.

	2017	2018	2019	2020	2021
GDP (RMB Billion)	83,203.6	91,928.1	98,651.5	101,356.7	114,367.0
<i>Growth rate (%)</i>		<i>10.49</i>	<i>7.31</i>	<i>2.74</i>	<i>12.84</i>

Source: National Bureau of Statistics

According to the data published by the National Energy Administration ("NEA"), the PRC's electricity consumption reached 8,312.8 billion kWh in 2021, representing a year-on-year increase of 10.3%.

With reference to a press release published by the NEA on 29 January 2022, the PRC's installed renewable energy power generation capacity exceeded 1 million MW, with installed wind power generation capacity and installed photovoltaic power generation capacity each exceeded 300,000MW. In 2021, the PRC's newly added renewable energy power generation installed capacity was 134,000MW, accounting for 76.1% of the PRC's total newly added energy generation installed capacity, among which, the newly added wind power installed capacity was 47,570MW, the newly added photovoltaic power installed capacity was 54,880MW and the newly added biomass power installed capacity was 8,080MW.

During 2021, the supply of the PRC's renewable energy continued to grow and reached 2,480 billion kWh, accounting for 29.8% of the total electricity consumption in the PRC, among which, the supply of wind power was 652.6 billion kWh, the supply of photovoltaic power was 325.9 billion kWh and the supply of biomass power was 163.7 billion kWh, representing year-on-year increases of 40.5%, 25.1% and 23.6% respectively.

LETTER FROM GRAM CAPITAL

On 22 February 2021, the State Council of the PRC issued the Guiding Opinions on Accelerating the Establishment and Improvement of a Green and Low-carbon Circular Development Economic System* (《關於加快建立健全綠色低碳循環發展經濟體系的指導意見》) which put forward certain policies, including promoting the green upgrading of industries, raising the level of green development in the service sectors, building green supply chains, establishing green logistics and trade systems, promoting the green and low-carbon transformation of the energy system, increasing fiscal and tax support, vigorously developing green finance, improving green standards and green certification, statistical monitoring and evaluation systems, and accelerating the construction domestic waste treatment facilities, promoting waste power generation and reducing landfill disposal.

On 13 March 2021, the 14th Five-Year Plan for National Economic and Social Development of the PRC (2021–2025) and the Outline of Long-term Objectives for 2035* (《中華人民共和國國民經濟和社會發展第十四個五年(2021–2025)規劃和2035年遠景目標綱要》) was issued which outlined the acceleration of development of non-fossil fuel, increase in scale of wind power and photovoltaic power generation, increase in proportion of non-fossil energy in the total energy consumption to approximately 20% and the promotion of digitized and green coordinated development that assist in realizing carbon peaking and carbon neutrality objectives.

On 22 April 2021, the NEA issued the Guiding Opinions on Energy Work in 2021* (《2021年能源工作指導意見》), which outlined the main expected objectives of 2021, including the reduction of coal-fired energy consumption level to below 56%, newly added alternative output from power generation to reach around 20 million kWh, maintaining the utilisation rate of wind power, photovoltaic power generation and renewable energy at a relatively high level and increasing the average utilisation hours of cross-regional transmission channel to about 4,100 hours.

On 6 May 2021, the National Development and Reform Commission (the “**NDRC**”) of the PRC and the Ministry of Housing and Urban-Rural Development of the PRC jointly issued the 14th Five-Year Plan for Urban Domestic Waste Classification and Treatment Facility Development Plan* (《“十四五”城鎮生活垃圾分類和處理設施發展規劃》), which indicated, during the 13th Five Years, there were 254 urban domestic waste treatment facilities constructed and accumulated over 500 urban domestic waste treatment facilities in operation, with national domestic waste treatment capacity of 580,000 tons per day and the national urban domestic waste utilization rate of approximately 45%. Against this backdrop, the development plan for the 14th Five Years includes, among other things, (i) reaching the national urban domestic waste utilisation rate of around 60% by the end of 2025; and (ii) reaching around 800,000 tons of national domestic waste treatment capacity per day by the end of 2025.

LETTER FROM GRAM CAPITAL

On 11 May 2021, the NEA issued the Notice on Matters Related to the Development and Construction of Wind Power and Photovoltaic Power Generation in 2021 (《關於2021年風電、光伏發電開發建設有關事項的通知》), which pointed out the proportion of wind power and photovoltaic power generation to the total electricity consumption should reach approximately 11% in 2021, and the guaranteed grid connection scale should not be less than 90 million kW.

Having considered the above, we are of the view that the prospect of clean energy industry is generally positive.

(1) Accelerating the implementation of the Company's strategy and increasing the proportion of clean energy in its power generation portfolio

With reference to the 2021 Annual Report, in anticipation of the ongoing impact of uncertainties amid the development of the COVID-19 variants, coupled with factors such as strained supply chain and inflation, the year 2022 will be another challenging year for the Group. It is expected that the investment in the power industry will be scaled up and will hence become one of the drivers of steady growth this year. The related investment will include, among others, projects in respect of new energy, innovative power systems such as electrochemical energy storage, rural revitalization and digital industries. From an industry perspective, the transition of energy towards a clean, market-oriented, diversified and digital direction is the general trend. As new renewable energy will not be included in the control targets for total energy consumption, there will be more room for the development of renewable energy. While the market-oriented reform of the power industry will be forged ahead at full steam, electricity trading will enter a new era which echoes with the trading of carbon, green power and green certificates. New industrial forms such as power source, grid, loading and storage, multi-energy synergy, new energy storage, hydrogen power, micro grid and virtual power plants are breeding new markets and new opportunities.

In addition, as also stated in the 2021 Annual Report, in view of the opportunities and challenges presented by the external environment, the Group will focus on certain tasks in 2022, including but not limited to, consolidating and improving the leading edges in the principal clean energy business.

As advised by the Directors, the Company considered that the Acquisitions, with the Target Companies principally engaged in clean energy power generation, are in line with the Company's business development strategy and will increase the proportion of clean energy in its power generation portfolio. Based on the Group's consolidated installed capacity of clean energy of 15,091.9MW in total, the Acquisition will lead to an increase of approximately 14.28% in the Group's consolidated installed capacity of clean energy. In addition, the proportion of the Group's clean energy consolidated installed capacity to the Group's total consolidated installed capacity will be increased from approximately 52.16% to approximately 55.48% upon completion of the Acquisitions.

Based on (i) the Group's development strategy as abovementioned; and (ii) that all Target Companies are principally engaged in clean energy power generation with total installed capacity of 2,154.83MW, we concur with the Directors that the Acquisitions will accelerate the implementation of the Company's strategy and increasing the proportion of clean energy in its power generation portfolio.

LETTER FROM GRAM CAPITAL

(2) Expanding the Group's business scope by operating its first environmental waste power generation business segment and expanding its clean energy base in new regions in the PRC

As abovementioned, as at 31 December 2021, the Group's total consolidated installed capacity was 28,931.9MW. With reference to the 2021 Annual Report, among the total consolidated installed capacity of 28,931.9MW, (i) consolidated installed capacity of clean energy amounting 15,091.9MW (accounting for approximately 52.16% of all consolidated installed capacity) and comprising hydropower of 5,451.1MW, wind power of 4,143.3MW, photovoltaic power of 5,222.3MW, natural gas power of 275.2MW; and (ii) coal-fired power was 13,840MW. The Group did not operate any environmental waste power generation business as at 31 December 2021.

With reference to the Board Letter, the assets to be acquired include eight high-quality environmental waste power generation companies. After the Completion of the Acquisitions, the Group will operate the environmental waste power generation segment for the first time, further expanding its business scope and bringing additional growth opportunities for the Group, which will be of great strategic significance to the Company.

In addition, the environmental waste power generation companies to be acquired under the Acquisitions are mainly located in Hainan, which will allow the Group to establish its business network in the Hainan Pilot Free Trade Zone; whereas Zhao'an Photovoltaic (being a Target Company under the Acquisitions) is located in Fujian Province, which will allow the Group to establish its business network in Fujian Province.

Therefore, we concur with the Directors that the Acquisitions will expand the Group's business scope by operating its first environmental waste power generation business segment and expanding its clean energy base in new regions in the PRC.

(3) Improving the Group's quality of assets and profitability

As confirmed by the Directors, upon the Completion, the financial results of the Target Companies will be consolidated and accounted for as subsidiaries of the Company.

According to the financial information of the Target Companies, the Target Companies (on a combined basis) recorded profit for the two years ended 31 December 2021. As the Target Companies will become subsidiaries of the Company, the Directors expected that the Group's revenue base will also be enhanced upon Completion.

Therefore, we concur with the Directors that the Acquisitions will improving the Group's quality of assets and profitability.

LETTER FROM GRAM CAPITAL

(4) *Reflecting SPIC's support to the Company and further rationalising the shareholding in and management of the assets*

Pursuant to the Agreement I, the consideration for the acquisition of Equity Interests I is to be satisfied by the Company allotting and issuing up to 1,536,764,662 Consideration Shares to CPNE. Under such arrangement, there will be no cash outflow for the purpose of settling the consideration for the acquisition of Equity Interests I. In addition, upon Completion, SPIC's indirectly equity interests in the Group will be increased from approximately 54.35% to approximately 60.02%, indicating SPIC's (as the Company's controlling Shareholder) confidence in the Company.

With reference to the Board Letter, the management of clean energy assets to be acquired had been entrusted to the Company by CPI Holding prior to the Acquisitions.

Based on the above, we concur with the Directors that the Acquisitions reflect SPIC's support to the Company and further rationalise the shareholding in and management of the assets.

In light of the above, we concur with the Directors that the Acquisitions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL TERMS OF THE ACQUISITIONS

Summarised below are the major terms of the Acquisitions, details of which are set out under the section headed "A. The Acquisition Agreements" of the Board Letter.

	Agreement I	Agreement II
<i>Date</i>	30 June 2022	30 June 2022
<i>Parties</i>	(i) The Company (as the purchaser) (ii) CPNE (as the seller)	(i) The Company (as the purchaser) (ii) CPINE (as the seller)
<i>Assets to be acquired</i>	The Company has conditionally agreed to acquire, and CPNE has conditionally agreed to sell, Equity Interests I.	The Company has conditionally agreed to acquire, and CPINE has conditionally agreed to sell, Equity Interests II.

LETTER FROM GRAM CAPITAL

Consideration

The total consideration for the acquisition of Equity Interests I is RMB5,782,593,419.82 (equivalent to approximately HK\$6,761,764,543.34).

Pursuant to the Agreement I, the consideration for the acquisition of Equity Interests I is to be satisfied by the Company allotting and issuing up to 1,536,764,662 Consideration Shares at the price of HK\$4.40 (equivalent to approximately RMB3.76 based on the exchange rate of HK\$1.00 to RMB0.85519 as stated in Agreement I) per Consideration Share to CPNE.

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue on the date of allotment and issue of the Consideration Shares. There is no restriction on the subsequent sale of the Consideration Shares by CPNE.

Details on the allocation of the consideration for Acquisition I to each of the Equity Interest I are set out under the sub-section headed "Agreement I" of the section headed "A. The Acquisition Agreements" of the Board Letter.

Completion

Subject to relevant provisions in Agreement I and Agreement II, the parties could proceed to Completion of any Target Company I or Target Company II after the conditions precedent to Agreement I and Agreement II in relation to such Target Company I or Target Company II having been satisfied. Completion in respect of any of the Equity Interests I or Equity Interests II shall not be conditional upon the above conditions in relation to other Equity Interests I or Equity Interests II being satisfied.

The total consideration for the acquisition of Equity Interests II is RMB1,670,098,862.61 (equivalent to approximately HK\$1,952,898,025.71).

Pursuant to the Agreement II, the consideration for the acquisition of Equity Interests II is to be satisfied by the Company in cash.

Details on the allocation of the consideration for Acquisition II to each of the Equity Interest II are set out under the sub-section headed "Agreement II" of the section headed "A. The Acquisition Agreements" of the Board Letter.

LETTER FROM GRAM CAPITAL

The Settlement The Settlement of Acquisition I and Acquisition II in relation to each of the Equity Interests I and Equity Interests II shall take place within two months after Completion.

Right of First Refusal If the Seller proposes to transfer directly or indirectly to one or more third parties its existing or future equity interests in any project company in respect of any new energy project (other than the Equity Interests) (i.e. Potential Equity Interests), subject to the pre-emptive rights that other shareholders of such project company(ies) may have as provided for in the relevant articles of association and PRC law, the Company shall have a right of first refusal to acquire all or any part of such Potential Equity Interests.

Our analyses on key terms of the Acquisitions are set out as follows:

A. The considerations

To assess the fairness and reasonableness of the consideration of the Acquisitions, we conducted following analyses:

The Asset Appraisal Reports

Upon our request, we obtained and reviewed the Asset Appraisal Reports prepared by Lixin. We noted that the total appraised value of the Target Companies as at the Appraisal Benchmark Date was approximately RMB10.17 billion.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of Lixin jointly engaged by (a) CPNE; (b) CPINE; and (c) Company; (ii) Lixin's qualification in relation to the preparation of the Asset Appraisal Reports; and (iii) the steps and due diligence measures taken by Lixin for conducting the asset appraisals. From the mandate letter and other relevant information provided by Lixin and based on our interview with Lixin, we were satisfied with the terms of engagement of Lixin as well as Lixin's qualification for the preparation of the Assets Appraisal Reports.

Having considered the following factors, including:

- (i) as required under provision four of 《資產評估基本準則》 (Asset Evaluation Standards — Basic Standards*, the “**Valuation Standards**”) as issued by Ministry of Finance of the PRC and updated in 2017, asset appraisal institution and its professional staff shall carry out asset appraisal activities in accordance with provisions of laws and administrative regulations, uphold to the principle of independence, objectivity and impartiality;

LETTER FROM GRAM CAPITAL

- (ii) as required under provision six of the Valuation Standards, when asset appraisal institution and its professional staff shall carry out asset appraisal activities, they (a) should perform independently in analysing, evaluating and forming their opinion; (b) should not be affected by client or its relevant persons; and (c) should not determine the value on pre-setting basis;
- (iii) 《資產評估職業道德準則－獨立性》(Code of Professional Ethics for Asset Evaluation — Independence*) as issued by China Appraisal Society in 2012 further elaborate and emphasis the independence of asset appraisal institution and certified valuers;
- (iv) based on the public information and the 2021 Annual Report, none of the shareholders of Lixin owned more than 10% equity interests in the Company and none of the substantial Shareholders were shareholders of Lixin as at 31 December 2021;
- (v) upon our request, Lixin confirmed that they are independent to the Group, the Target Companies, CPNE and CPINE,

we are satisfied with the independence of Lixin in respect of the preparation of the Asset Appraisal Reports.

We also reviewed the Asset Appraisal Reports and enquired into Lixin on the methodologies adopted and the basis and assumptions adopted in arriving at the asset appraisals in order for us to understand the Asset Appraisal Reports. Summary of Asset Appraisal Reports are set out in Appendix I to the Circular. We noted from the Asset Appraisal Reports that the Asset Appraisal Reports were prepared by Lixin in accordance with various requirements/standards, including 《資產評估準則－基本準則》(Asset Evaluation Standards — Basic Standards*) as issued by the Ministry of Finance of the PRC. According to the 《資產評估準則－基本準則》(Asset Evaluation Standards — Basic Standards*), (i) the fundamental valuation approaches of assets valuation include income approach, market approach and asset-based approach; and (ii) the valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation methodology.

As the Target Companies comprised companies involved in (i) the photovoltaic industry; (ii) the wind power industry; and (iii) environmental waste power industry, we categorised the Target Companies into three groups and conducted the following analyses.

LETTER FROM GRAM CAPITAL

Asset appraisals of the subject companies in the photovoltaic industry (the “Photovoltaic Appraisals”)

In preparing the Asset Appraisal Reports in relation to the Photovoltaic Appraisals (the “**Photovoltaic Appraisal Reports**”), Lixin concluded the Photovoltaic Appraisals with income approach. With reference to the Photovoltaic Appraisal Reports and as confirmed by Lixin, Lixin considered each of the fundamental valuation approaches and we understood that:

- There was sufficient information regarding the business scope and profitability of the comparable companies for Lixin to conduct the Photovoltaic Appraisals using market approach, as such, market approach is applicable for the Photovoltaic Appraisals;
- The subject companies’ expected income and expenses of the subject companies can be quantified and the future operating period of the subject companies can be estimated based on the remaining life of the relevant photovoltaic plants, as such, income approach is applicable for the Photovoltaic Appraisals; and
- As the subject companies are already in operation and there are time differences between the Appraisal Benchmark Date and the establishment period of the subject companies (including the setting up of the photovoltaic plants and the obtainment of relevant project filings), as such, asset-based approach is not applicable for the Photovoltaic Appraisals.

We noted from the Photovoltaic Appraisal Reports that, despite both market approach and income approach are applicable for the Photovoltaic Appraisals, Lixin considered that (i) the results of income approach comprehensively consider the operational characteristics of and the favourable fiscal policies enjoyed by new energy enterprises; and (ii) although various adjustments will be applied to the appraisee and the comparable transactions when conducting the appraisal under market approach, there are uncertainties and factors that are unable to adjust given the uniqueness of each comparable transactions. As such, Lixin had rejected the results of market approach and adopted the results of income approach when concluding the Photovoltaic Appraisals.

We also noted from the other transaction circulars published by companies listed on the Stock Exchange that it is common to adopt income approach for the valuation of companies that engaged in the operation of photovoltaic plants.

Having considered that (i) the Photovoltaic Appraisal Reports were prepared by Lixin in accordance with various requirements/standards; (ii) Lixin considered the fundamental valuation approaches before rejecting the use of asset-based approach; and (iii) the aforementioned rationale of Lixin in selecting income approach over market approach despite both approaches are applicable to the Photovoltaic Appraisals, we are of the view that the adoption of income approach for the Photovoltaic Appraisals is fair and reasonable and we did not consider other approaches to assess the Photovoltaic

LETTER FROM GRAM CAPITAL

Appraisals. Lixin also confirmed that the income approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice.

As Lixin adopted income approach to conduct the Photovoltaic Appraisals, both the financial adviser and reporting accountants of the Company issued letter/report on profit forecast of the Target Companies. Pursuant to the letter/report, (i) the financial adviser of the Company is satisfied that the income approach with discounted cash flow method, which is regarded a profit forecast included in the Asset Appraisal Reports, for which the Directors are solely responsible, has been made after due and careful enquiry by the Directors; and (ii) in the opinion of the Company's reporting accountants, so far as the arithmetical accuracy of the calculations of the discounted cash flow forecast is concerned, the discounted cash flow forecast has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors. Please refer to Appendix II and Appendix III to the Circular for details.

Upon our enquiry, we also understood from Lixin that:

- (i) as the subject companies are principally engaged in the generation of photovoltaic power through the operation of photovoltaic plants, the financial projections of the subject companies were forecasted based on the expected remaining useful lives of the photovoltaic plants operate by the subject companies.

We also understood from the Directors that the useful lives of the photovoltaic plants are generally 25 years from the date of its grid-connection, the forecasted period for each of the subject companies is consistent with the expected remaining useful lives. We reviewed the forecasted period of the subject companies and noted that each of the forecasted period is consistent with such assumption.

- (ii) operating income were forecasted based on (a) the capacity of the photovoltaic plants; (b) the expected utilisation hours of photovoltaic power generating units; (c) expected grid-connected power volume (in terms of MWh); and (d) the expected income from sale of electricity and expected government subsidy in respect of the generation of photovoltaic power.

For our due diligence purpose, we obtained and reviewed historical data in respect of each of the subject companies and noted from the Photovoltaic Appraisals that (1) the capacity of the photovoltaic plants for the forecasted period are in line with their respective existing capacity; (2) the expected utilisation hours of photovoltaic power generating units and the expected grid-connected power volume (in terms of MWh) are in line with the historical data with reasonable deterioration rate adopted throughout the forecasted period; and (3) the expected unit price (including government subsidy) in respect of the generation of photovoltaic power are determined with reference to the historical average data.

LETTER FROM GRAM CAPITAL

- (iii) operating expenditures including depreciation, amortisation, staff costs, repair and maintenance and outsourced electricity expenses are in line with the historical average data throughout the forecasted period. We cross-checked the forecasted operating expenditures against the historical data of each of the subject companies and noted that forecasted operating expenditures are generally in line with the historical data with reasonable growth rate adopted to cater for future inflation.
- (iv) finance costs were forecasted with reference to the outstanding bank borrowings as at the valuation date and the interest rate for such bank borrowings. We cross-checked the forecasted finance costs with the repayment schedule of the bank borrowings and noted the forecasted finance costs are in line with the repayment schedule.
- (v) the discount rate (weighted average cost of capital of the subject companies, which was calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight and then adding the products together) applied to the Photovoltaic Appraisals ranged from 6.88% to 7.88%.

We noted that Lixin adopted capital asset pricing model (“CAPM”) to assess the cost of equity of the subject companies for the Photovoltaic Appraisals. In arriving at the cost of equity, Lixin took into account a number of factors including (1) risk-free rate; (2) market risk premium; (3) beta; and (4) specific risk premium.

For our due diligence purpose, we conducted the following works:

- We searched through the internet and noted that the CAPM technique is widely adopted for the purpose of estimating the required rate of return on equity;
- We searched on the website of National Interbank Funding Center (a sub-institution directly affiliated to the People’s Bank of China) and noted that the risk-free rates adopted by Lixin were in line with the interest rates of government bonds as published on the website of National Interbank Funding Center;
- We obtained the list of comparable companies used for the calculation of the levered beta. We cross-checked the beta of the selected comparable companies through Wind Financial Terminal and noted that the beta adopted by Lixin are in line with our findings;
- We noted that Lixin adopted the market risk premium of 6.85% to the Photovoltaic Appraisals, which was determined with reference to the China Securities Index 300 yield indicator.

In addition, we noted Lixin adopted the cost of debt ranging from 3.48% to 4.90%, which were determined with reference to either the existing cost of borrowings of the subject companies or the loan prime rate in the PRC, net of tax effect.

LETTER FROM GRAM CAPITAL

Having considered the aforementioned and during our discussion with Lixin, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the Photovoltaic Appraisals.

Asset appraisals of the subject companies in the wind power industry (the “Wind Power Appraisals”)

In preparing the Asset Appraisal Reports in relation to the Wind Power Appraisals (the “**Wind Power Appraisal Reports**”), Lixin concluded the valuations with income approach. With reference to the Wind Power Appraisal Reports and as confirmed by Lixin, Lixin considered each of the fundamental valuation approaches and we understood that:

- There were sufficient transaction cases regarding the merger and acquisition of wind power companies in the market, with sufficient transaction information for Lixin to conduct the Wind Power Appraisals using market approach, as such, the comparable transactions method under market approach is applicable for the Wind Power Appraisals;
- The subject companies’ expected income and expenses of the subject companies can be quantified and the future operating period of the subject companies can be estimated based on the remaining life of the relevant wind farms, as such, income approach is applicable for the Wind Power Appraisals; and
- As the subject companies are already in operation and there are time differences between the Appraisal Benchmark Date and the establishment period of the subject companies (including the setting up of the wind farms and the obtainment of relevant project filings), as such, asset-based approach is not applicable for the Wind Power Appraisals.

We noted from the Wind Power Appraisal Reports that, despite both market approach and income approach are applicable for the Wind Power Appraisals, Lixin considered that (i) the results of income approach comprehensively consider the operational characteristics of and the favourable fiscal policies enjoyed by new energy enterprises; and (ii) although various adjustments will be applied to the appraisee and the comparable transactions when conducting the appraisal under market approach, there are uncertainties and factors that are unable to adjust given the uniqueness of each comparable transactions. As such, Lixin had rejected the results of market approach and adopted the results of income approach when concluding the Wind Power Appraisals.

We also noted from the other transaction circulars published by companies listed on the Stock Exchange that it is common to adopt income approach for the valuation of companies that engaged in the operation of wind farms.

Having considered that (i) the Wind Power Appraisal Reports were prepared by Lixin in accordance with various requirements/standards; (ii) Lixin considered the fundamental valuation approaches before rejecting the use of asset-based approach; and (iii) the aforementioned rationale of Lixin in selecting income approach over market

LETTER FROM GRAM CAPITAL

approach despite both approaches are applicable to the Wind Power Appraisals, we are of the view that the adoption of income approach for the Wind Power Appraisals is fair and reasonable and we did not consider other approaches to assess the Wind Power Appraisals. Lixin also confirmed that the income approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice.

As Lixin adopted income approach to conduct the Wind Power Appraisals, both the financial adviser and reporting accountants of the Company issued letter/report on profit forecast of the Target Companies. Pursuant to the letter/report, (i) the financial adviser of the Company is satisfied that the income approach with discounted cash flow method, which is regarded as profit forecast included in the Asset Appraisal Reports, for which the Directors are solely responsible, has been made after due and careful enquiry by the Directors; and (ii) in the opinion of the Company's reporting accountants, so far as the arithmetical accuracy of the calculations of the discounted cash flow forecast is concerned, the discounted cash flow forecast has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors. Please refer to Appendix II and Appendix III to the Circular for details.

Upon our enquiry, we also understood from Lixin that:

- (i) as the subject companies are principally engaged in the generation of wind power through the operation of wind farms, the financial projections of the subject companies were forecasted based on the expected remaining useful lives of the wind farms operate by the subject companies.

We understood from the Directors that the useful lives of the wind farms are generally 20 years from the date of its grid-connection, the forecasted period for each of the subject companies is consistent with the expected remaining useful lives. We reviewed the forecasted period of the subject companies and noted that each of the forecasted period is consistent with such assumption.

- (ii) operating income were forecasted based on (a) the capacity of the wind farms; (b) the expected utilisation hours of wind power generating units; (c) expected grid-connected power volume (in terms of MWh); and (d) the expected income from sale of electricity and expected government subsidy in respect of the generation of wind power.

For our due diligence purpose, we obtained and reviewed historical data in respect of each of the subject companies and noted from the Wind Power Appraisals that (1) the capacity of the wind farms for the forecasted period are in line with their respective existing capacity; and (2) the expected utilisation hours of wind power generating units, the expected grid-connected power volume (in terms of MWh) and the expected unit price (including government subsidy) in respect of the generation of wind power are determined with reference to the historical average data.

LETTER FROM GRAM CAPITAL

- (iii) operating expenditures including depreciation, amortisation, staff costs, repair and maintenance and outsourced electricity expenses are in line with the historical average data throughout the forecasted period. We cross-checked the forecasted operating expenditures against the historical data of each of the subject companies and noted that forecasted operating expenditures are generally in line with the historical data with reasonable growth rate adopted to cater for future inflation.
- (iv) finance costs were forecasted with reference to the outstanding bank borrowings as at the valuation date and the interest rate for such bank borrowings. We cross-checked the forecasted finance costs with the repayment schedule of the bank borrowings and noted the forecasted finance costs are in line with the repayment schedule.
- (v) the discount rate (weighted average cost of capital of the subject companies, which was calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight and then adding the products together) applied to the Wind Power Appraisals ranged from 6.85% to 7.35%.

We noted Lixin adopted CAPM to assess the cost of equity of the subject companies for the Wind Power Appraisals. In arriving at the cost of equity, Lixin took into account a number of factors including (1) risk-free rate; (2) market risk premium; (3) beta; and (4) specific risk premium.

For our due diligence purpose, we conducted the following works:

- We searched through the internet and noted that the CAPM technique is widely adopted for the purpose of estimating the required rate of return on equity;
- We searched on the website of National Interbank Funding Center (a sub-institution directly affiliated to the People's Bank of China) and noted that the risk-free rates adopted by Lixin were in line with the interest rates of government bonds as published on the website of National Interbank Funding Center;
- We obtained the list of comparable companies used for the calculation of the levered beta. We cross-checked the beta of the selected comparable companies through Wind Financial Terminal and noted that the beta adopted by Lixin are in line with our findings;
- We noted Lixin adopted the market risk premium of 6.85% to the Wind Power Appraisals, which was determined with reference to the China Securities Index 300 yield indicator.

In addition, we noted Lixin adopted the cost of debt ranging from 3.59% to 4.22%, which were determined with reference to either the existing cost of borrowings of the subject companies or the loan prime rate in the PRC, net of tax effect.

LETTER FROM GRAM CAPITAL

Having considered the aforementioned and during our discussion with Lixin, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the Wind Power Appraisals.

Asset appraisals of the Target Companies in the environmental waste power industry (the “Waste Power Appraisals”)

In preparing the Asset Appraisal Reports in relation to the Waste Power Appraisals (the “**Waste Power Appraisal Reports**”), Lixin concluded the valuations with income approach. With reference to the Waste Power Appraisal Reports and as confirmed by Lixin, Lixin considered each of the fundamental valuation approaches and we understood that:

- As the subject companies are in the preliminary production stage, it is difficult to identify companies with comparable asset scale and structure, business scope and profitability within the industry, and thus market approach is not applicable for the Waste Power Appraisals;
- The subject companies’ expected income and expenses of the subject companies can be quantified and the future operating period of the subject companies can be estimated based on the remaining life of the relevant waste treatment plants, as such, income approach is applicable for the Waste Power Appraisals; and
- As supported by sizeable population of precedents, the use of asset-based approach by subtracting the appraised values of liabilities from the appraised values of assets to conclude the market value of the appraisee is acceptable among the market, thus, the asset-based approach is applicable for the Waste Power Appraisals.

We further enquired into Lixin and understood that, despite both income approach and asset-based approach are applicable for the Waste Power Appraisals, Lixin considered that (i) the appraisal under income approach take into account the overall future profitability of the appraisee; and (ii) as the subject companies under the Waste Power Appraisals operate their waste treatment plants through the build-operate-transfer (“**BOT**”) arrangements, under asset-based approach, the appraised value of the assets and liabilities related to the operation of the waste treatment plants under BOT arrangements were considered in the appraised value of intangible assets (namely, the operating rights of the waste treatment plants), which were also appraised by Lixin using income approach. As such, Lixin had rejected the results of the asset-based approach and adopted the results of income approach when concluding the Waste Power Appraisals.

Having considered that (i) the Waste Power Appraisal Reports were prepared by Lixin in accordance with various requirements/standards; (ii) Lixin considered the fundamental valuation approaches before rejecting the use of market approach; and (iii) the aforementioned rationale of Lixin in selecting income approach over asset-based approach despite both approaches are applicable to the valuations, we are of the view that the adoption of income approach for the valuations is fair and reasonable and we did not

LETTER FROM GRAM CAPITAL

consider other approaches to assess the Waste Power Appraisals. Lixin also confirmed that the income approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice.

As Lixin adopted income approach to conduct the Waste Power Appraisals, in such case, both the financial adviser and reporting accountants of the Company issued letter/report on profit forecast of the Target Companies. Pursuant to the letter/report, (i) the financial adviser of the Company is satisfied that the income approach with discounted cash flow method, which is regarded as profit forecast included in the Asset Appraisal Reports, for which the Directors are solely responsible, has been made after due and careful enquiry by the Directors; and (ii) in the opinion of the Company's reporting accountants, so far as the arithmetical accuracy of the calculations of the discounted cash flow forecast is concerned, the discounted cash flow forecast has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors. Please refer to Appendix II and Appendix III to the Circular for details.

Upon our enquiry, we also understood from Lixin that:

- (i) as the subject companies are principally engaged in the generation of waste power through the operation of waste treatment plants, the financial projections of the subject companies were forecasted based on the expected remaining useful lives of the waste treatment plants operate by the subject companies.

We understood from the Directors that the subject companies operate the waste treatment plants under BOT arrangements, the forecasted period for each of the subject companies is consistent with the remaining operating years of their respective BOT arrangement as at the Appraisal Benchmark Date. We reviewed the forecasted period of the subject companies and noted that each of the forecasted period is consistent with such assumption.

- (ii) operating income were forecasted based on (a) the estimated waste treatment volume (in terms of tons) of the waste treatment plants and the volume of waste power to be generated per ton of waste; (b) the expected utilisation hours of waste power generating units; (c) expected grid-connected power volume (in terms of MWh); and (d) the expected income from sale of electricity and expected government subsidy in respect of the generation of waste power.

For our due diligence purpose, we obtained and reviewed historical data in respect of each of the subject companies and noted from the Waste Power Appraisals that (1) the capacity of the waste treatment plants for the forecasted period are in line with their respective existing capacity; and (2) the expected utilisation hours of waste power generating units, the expected grid-connected power volume (in terms of MWh) and the expected unit price (including government subsidy) in respect of the generation of waste power are determined with reference to the historical data.

LETTER FROM GRAM CAPITAL

- (iii) operating expenditures including depreciation, amortisation, staff costs, repair and maintenance and outsourced electricity expenses are in line with the historical average data throughout the forecasted period. We cross-checked the forecasted operating expenditures against the historical data of each of the subject companies and noted that forecasted operating expenditures are generally in line with the historical data with reasonable growth rate adopted to cater for future inflation.
- (iv) finance costs were forecasted with reference to the outstanding bank borrowings as at the valuation date and the interest rate for such bank borrowings. We cross-checked the forecasted finance costs with the repayment schedule of the bank borrowings and noted the forecasted finance costs are in line with the repayment schedule.
- (v) the discount rate (weighted average cost of capital of the subject companies, which was calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight and then adding the products together) applied to the Waste Power Appraisals ranged from 6.65% to 8.01%.

We noted Lixin adopted CAPM to assess the cost of equity of the subject companies for the Waste Power Appraisals. In arriving at the cost of equity, Lixin took into account a number of factors including (1) risk-free rate; (2) market risk premium; (3) beta; and (4) specific risk premium.

For our due diligence purpose, we conducted the following works:

- We searched through the internet and noted that the CAPM technique is widely adopted for the purpose of estimating the required rate of return on equity;
- We searched on the website of National Interbank Funding Center (a sub-institution directly affiliated to the People's Bank of China) and noted that the risk-free rates adopted by Lixin were in line with the interest rates of government bonds as published on the website of National Interbank Funding Center;
- We obtained the list of comparable companies used for the calculation of the re-levered beta. We cross-checked the beta of the selected comparable companies through Wind Financial Terminal and noted that the beta adopted by Lixin are in line with our findings;
- We noted Lixin adopted the market risk premium of 6.85% to the Waste Power Appraisals, which was determined with reference to the China Securities Index 300 yield indicator.

We noted Lixin adopted the cost of debt ranging from 2.83% to 4.74%, which were determined with reference to either the existing cost of borrowings of the subject companies or the loan prime rate in the PRC, net of tax effect.

LETTER FROM GRAM CAPITAL

Having considered the aforementioned and during our discussion with Lixin, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the Waste Power Appraisals.

We summarised valuation as at Appraisal Benchmark Date, dividend to be distributed to shareholders of Target Companies before Completion but after the Appraisal Benchmark Date, the appraised value of Equity Interests I and Equity Interests II, and the consideration for Equity Interests I and Equity Interests II for the Acquisitions as follows:

	Appraised value of Target Companies as at the Appraisal Benchmark Date (A) (RMB)	Amount of dividend attributable to the profits generated from the Target Companies up to the Appraisal Benchmark Date as declared by the Target Companies to be distributed to their shareholders prior to Completion (B) (RMB)	Percentage of equity interest represented by the relevant Equity Interests (C)	Consideration allocated to each of the Equity Interests (D) (RMB)
Equity Interest I				
Panzhuhua Photovoltaic	194,000,000	42,540,000.00	100%	151,460,000.00
Chunyang Mountain Wind Power	437,000,000	163,484,774.44	100%	273,515,225.56
Guazhou Wind Power	657,000,000	276,557,684.39	46.0877%	175,337,113.09
Dafeng Wind Power	536,000,000	19,888,769.68	100%	516,111,230.32
Wuwei Photovoltaic	449,100,000	95,884,946.41	51%	180,139,677.33
Baiyin Photovoltaic	823,000,000	148,406,926.30	30.8397%	208,042,480.15
Bazhou Environmental	234,312,300	34,430,000.00	100%	199,882,300.00
Deyang Environmental	258,607,200	55,040,000.00	70%	142,497,040.00
Yuanjiang Photovoltaic	79,000,000	2,450,000.00	100%	76,550,000.00
Jiuquan Third Wind Power	3,888,400,000	231,730,729.65	73.3049%	2,680,517,751.96
Haikou Second Environmental	329,715,000	51,582,653.36	100%	278,132,346.64
Hainan Environmental	240,238,500	23,302,911.93	100%	216,935,588.07
Haikou Environmental	242,023,600	36,988,645.33	100%	205,034,954.67
Qionghai Environmental	262,461,000	8,140,904.30	100%	254,320,095.70
Wenchang Environmental	102,384,800	9,141,172.06	100%	93,243,627.94
Shangqiu Environmental	170,538,900	16,569,501.90	85%	<u>130,873,988.39</u>
Total				<u><u>5,782,593,419.82</u></u>

LETTER FROM GRAM CAPITAL

	Amount of dividend attributable to the profits generated from the Target Companies up to the Appraisal Benchmark Date as declared by the Target Companies to be distributed to their shareholders prior to Completion (A) (RMB)	Target Companies to be distributed to their shareholders prior to Completion (B) (RMB)	Percentage of equity interest represented by the relevant Equity Interests (C)	Consideration allocated to each of the Equity Interests (D) (RMB)
Equity Interest II				
Guazhou Wind Power	657,000,000	276,557,684.39	53.9123%	205,105,202.52
Wuwei Photovoltaic	449,100,000	95,884,946.41	49%	173,075,376.26
Baiyin Photovoltaic	823,000,000	148,406,926.30	29.6303%	199,883,951.52
Qiaowan Wind Power	478,000,000	30,866,396.89	100%	447,133,603.11
Sea Wave Wind Power	152,000,000	10,953,889.28	100%	141,046,110.72
Hongqi Wind Power	161,000,000	17,643,528.60	100%	143,356,471.40
Inner Mongolia Wind Power	195,000,000	22,089,647.74	100%	172,910,352.26
Hainan Photovoltaic	110,200,000	28,807,555.92	100%	81,392,444.08
Zhao'an Photovoltaic	118,000,000	34,811,786.90	100%	83,188,213.10
Jiangxi Photovoltaic	54,000,000	21,132,660.52	70%	<u>23,007,137.64</u>
Total				<u><u>1,670,098,862.61</u></u>

As the considerations of each of the Equity Interests I and the Equity Interests II equals to the appraised value of the Target Companies, net of dividend to be distributed to shareholders of Target Companies before Completion but after the Appraisal Benchmark Date, multiply by percentage of equity interest represented by the relevant Equity Interests I and the Equity Interests II (i.e. $D = (A-B) \times C$), we are of the view that the considerations for the Acquisitions to be fair and reasonable.

The considerations of Equity Interests I and Equity Interests II will be adjusted with the capital injection to be made to the Target Companies I and Target Companies II by their shareholders (subject to a cap of RMB40 million for the total capital injection to be made to the Target Companies by their shareholders) subsequent to the Appraisal Benchmark Date and prior to Completion (if any). The relevant additional consideration payable by the Company to CPNE or CPINE (as the case may be) as a result of such adjustment shall be settled in cash within two months after Completion.

LETTER FROM GRAM CAPITAL

B. The Issue Price

Pursuant to the Agreement I, the consideration for the acquisition of Equity Interests I is to be satisfied by the Company allotting and issuing up to 1,536,764,662 Consideration Shares at the Issue Price of HK\$4.40 (equivalent to approximately RMB3.76) per Consideration Share to CPNE.

The Issue Price of HK\$4.40 (equivalent to approximately RMB3.76) per Consideration Shares represents:

- (i) a discount of approximately 1.35% to the closing price of HK\$4.46 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 11.65% to the closing price of HK\$4.98 per Share as quoted on the Stock Exchange as at the date of the Agreement I;
- (iii) a discount of approximately 4.35% to the closing price of HK\$4.60 per Share as quoted on the Stock Exchange on the last trading date immediately before the date of the Agreement I (the “**Last Trading Date**”);
- (iv) a discount of approximately 8.49% to the average closing price of HK\$4.808 per Share as quoted on the Stock Exchange for the last five trading days immediately before the date of the Agreement I;
- (v) a discount of approximately 7.52% to the average closing price of HK\$4.758 per Share as quoted on the Stock Exchange for the last ten trading days immediately before the date of the Agreement I;
- (vi) premium of approximately 3.12% over the average closing price of HK\$4.267 per Share as quoted on the Stock Exchange for the last 30 trading days immediate before the date of the Agreement I;
- (vii) premium of approximately 7.87% over the average closing price of HK\$4.079 per Share as quoted on the Stock Exchange for the last 60 trading days immediate before the date of the Agreement I;
- (viii) premium of approximately 7.90% over the average closing price of HK\$4.078 per Share as quoted on the Stock Exchange for the last 90 trading days immediate before the date of the Agreement I; and
- (ix) discount of approximately 24.89% to the audited consolidated net asset value per Share of the Company of approximately RMB4.79 (equivalent to approximately HK\$5.86 based on the exchange rate of HK\$1.00 to RMB0.8176 as at 31 December 2021 as quoted on the State Administration of Foreign Exchange of the PRC) per Share as at 31 December 2021.

LETTER FROM GRAM CAPITAL

In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 2 July 2021, being approximately one year prior to the date of the Agreement I, up to and including the date of the Agreement I (the “**Review Period**”), which is commonly adopted for analysis and the duration of such period (i.e. the number of trading days) is sufficient for us to perform a thorough analysis on the historical closing price of Shares. The comparison of the daily closing price of Shares and the Issue Price is illustrated as follows:



Source: the Stock Exchange's website

During the Review Period, the lowest and highest closing price of Shares as quoted on the Stock Exchange was HK\$1.68 per Share recorded on 2 July 2021 and HK\$5.60 per Share recorded on 24 December 2021 respectively. The Issue Price of HK\$4.40 is within the range of the lowest and highest closing price of Shares. In addition, during the Review Period, the Issue Price was above the daily closing prices of the Shares for 204 trading days out of the total 246 trading days.

During the Review Period, the closing prices of Shares were between HK\$1.68 per Share and HK\$5.60 per Share from 2 July 2021 to 31 December 2021. Thereafter, the closing prices of Shares fluctuated and reached HK\$4.98 on 30 June 2022, being the date of the Agreement I.

As part of our analysis, we also identified acquisition transactions involved the issuance of consideration shares under specific mandate (the “**Consideration Issue Comparables**”), which were first announced by companies listed on the Main Board of the Stock Exchange during the Review Period, which is commonly adopted for analysis and reflects the recent market practice up to the date of the Agreement I. We found 15 transactions which met the said criteria and they are exhaustive. Despite that the businesses, operations and prospects of the Group are not the same as the subject companies of the Consideration Issue Comparables,

LETTER FROM GRAM CAPITAL

the Consideration Issue Comparables can demonstrate the market practices of issuance of consideration shares under specific mandate by companies listed on the Main Board of the Stock Exchange during the Review Period.

Company name (stock code)	Date of announcement	Premium/ (discount) of the issue price over/ to the average closing price per share for the last five trading days up to and including the last trading date immediately before the date of the agreement in relation to the respective acquisition (the “5 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last ten trading days up to and including the last trading date immediate before the date of the agreement in relation to the respective acquisition (the “10 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 30 trading days up to and including the last trading date immediately before the date of the agreement in relation to the respective acquisition (the “30 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 60 trading days up to and including the last trading date immediately before the date of the agreement in relation to the respective acquisition (the “60 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 90 trading days up to and including the last trading date immediately before the date of the agreement in relation to the respective acquisition (the “90 Days Premium/ Discount”) (%)	
		“LTD Premium/ Discount” (%)	Premium/ Discount” (%)	Premium/ Discount” (%)	Premium/ Discount” (%)	Premium/ Discount” (%)	
Zhongsheng Group Holdings Limited (881)	1 July 2021	(1.86)	1.11	2.21	(0.32)	5.28	10.60
Moody Technology Holdings Limited (1400)	26 July 2021	21.21	23.97	21.58	23.54	19.44	16.56
ESR Group Limited (formerly known as ESR Cayman Limited) (1821)	4 August 2021	(1.64)	(0.44)	(1.01)	2.86	6.41	6.35
CN Logistics International Holdings Limited (2130)	16 September 2021	5.12	2.88	2.67	2.91	3.97	3.96
Newborn Town Inc. (9911)	9 October 2021	—	3.96	3.15	(3.33)	(8.02)	(18.33)
Geely Automobile Holdings Limited (175)	29 October 2021	(11.42)	(12.65)	(10.52)	(4.16)	(9.24)	(7.74)
Auto Italia Holdings Limited (720)	26 November 2021	(16.36)	(16.36)	(16.01)	(17.12)	(17.81)	(19.93)
EC Healthcare (2138)	29 November 2021	(2.51)	(1.03)	0.20	4.56	9.96	9.49
Bojun Education Company Limited (1758)	8 December 2021	82.80 (Note)	81.62 (Note)	81.04 (Note)	89.10 (Note)	83.82 (Note)	70.30 (Note)
CN Logistics International Holdings Limited (2130)	31 December 2021	(6.12)	(7.37)	(8.65)	(7.41)	(3.71)	3.06
Link-Asia International MedTech Group Limited (1143)	18 January 2022	(9.89)	(7.03)	(7.76)	(8.55)	(18.50)	(21.84)

LETTER FROM GRAM CAPITAL

Company name (stock code)	Date of announcement	Premium/ (discount) of the issue price over/ to the average closing price per share for the last five trading days up to and including the last trading date last trading date immediately before the date of the agreement in relation to the respective acquisition (the “LTD Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last ten trading days up to and including the last trading date last trading date immediate before the date of the agreement in relation to the respective acquisition (the “5 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 30 trading days up to and including the last trading date last trading date immediately before the date of the agreement in relation to the respective acquisition (the “10 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 60 trading days up to and including the last trading date last trading date immediately before the date of the agreement in relation to the respective acquisition (the “30 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 90 trading days up to and including the last trading date last trading date immediately before the date of the agreement in relation to the respective acquisition (the “60 Days Premium/ Discount”) (%)	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 90 trading days up to and including the last trading date last trading date immediately before the date of the agreement in relation to the respective acquisition (the “90 Days Premium/ Discount”) (%)
Virtual Mind Holding Company Limited (formerly known as CEFC Hong Kong Financial Investment Company Limited) (1520)	25 January 2022	(1.35)	(4.84)	(5.86)	(2.42)	12.33	16.23
C&D International Investment Group Limited (1908)	29 March 2022	(13.06)	(12.42)	(6.06)	(2.14)	(4.20)	(4.51)
Hypebeast Limited (150)	3 April 2022	40.67	42.08	39.30	32.44	19.82	12.40
China Investment Development Limited (204)	6 April 2022	21.95	22.55	41.44	67.04 (Note)	71.67 (Note)	35.56
Maximum (excluding outliers):		40.67	42.08	41.44	32.44	19.82	35.56
Minimum (excluding outliers):		(16.36)	(16.36)	(16.01)	(17.12)	(18.50)	(21.84)
Average (excluding outliers):		1.77	2.46	3.91	1.60	1.21	2.99
Median (excluding outliers):		(1.75)	(0.74)	(0.41)	(2.14)	3.97	5.16
Agreement I		(4.35)	(8.49)	(7.52)	3.12	7.87	7.90

Source: the Stock Exchange's website and Wind Financial Terminal

Note: Among the Consideration Issue Comparables, we noted the LTD Premium, the 5 Days Premium, the 10 Days Premium, the 30 Days Premium, the 60 Days Premium and the 90 Days Premium (as the case may be) of the subject companies' acquisition transactions were exceptionally high as compared to the other Consideration Issue Comparables. We are of the view that the LTD Premium, the 5 Days Premium, the 10 Days Premium, the 30 Days Premium, the 60 Days Premium and the 90 Days Premium (as the case may be) of the subject companies' acquisition transactions are outliers.

LETTER FROM GRAM CAPITAL

As depicted in the above table:

- (i) the LTD Premium/Discount of the Consideration Issue Comparables (excluding outlier) ranged from discount of approximately 16.36% to premium of approximately 40.67%, with average of approximately 1.77% premium and median of approximately 1.75% discount;
- (ii) the 5 Days Premium/Discount of the Consideration Issue Comparables (excluding outlier) ranged from discount of approximately 16.36% to premium of approximately 42.08%, with average of approximately 2.46% premium and median of approximately 0.74% discount;
- (iii) the 10 Days Premium/Discount of the Consideration Issue Comparables (excluding outlier) ranged from discount of approximately 16.01% to premium of approximately 41.44%, with average of approximately 3.91% premium and median of approximately 0.41% discount;
- (iv) the 30 Days Premium/Discount of the Consideration Issue Comparables (excluding outliers) ranged from discount of approximately 17.12% to premium of approximately 32.44%, with average of approximately 1.60% premium and median of approximately 2.14% discount;
- (v) the 60 Days Premium/Discount of the Consideration Issue Comparables (excluding outliers) ranged from discount of approximately 18.50% to premium of approximately 19.82%, with average of approximately 1.21% premium and median of approximately 3.97% premium; and
- (vi) the 90 Days Premium/Discount of the Consideration Issue Comparables (excluding outlier) ranged from discount of approximately 21.84% to premium of approximately 35.56%, with average of approximately 2.99% premium and median of approximately 5.16% premium.

The Issue Price, which represented (i) a discount of approximately 4.35% to the closing price as at the Last Trading Date; (ii) a discount of approximately 8.49% to the average closing price for the last five trading days immediately before the date of the Agreement I; (iii) a discount of approximately 7.52% to the average closing price for the last ten trading days immediately before the date of the Agreement I; (iv) a premium of approximately 3.12% over the average closing price for the last 30 trading days immediately before the date of the Agreement I; (v) a premium of approximately 7.87% over the average closing price for the last 60 trading days immediately before the date of the Agreement I; and (vi) a premium of approximately 7.90% over the average closing price for the last 90 trading days immediately before the date of the Agreement I, are within the respective market ranges of the Consideration Issue Comparables.

LETTER FROM GRAM CAPITAL

In view of that (i) the comparison between the Issue Price and the Company's recent closing prices as mentioned above; (ii) during the Review Period, the Issue Price was above the daily closing prices of the Shares for 204 trading days out of the total 246 trading days; and (iii) the premium/discounts of the Issue Price over/to the Company's recent market price (i.e. closing price as at the Last Trading Date and average closing price for the last five, ten, 30, 60 and 90 trading days immediately before the date of the Agreement I) are within the market ranges of the Consideration Issue Comparables, we are of the opinion that the Issue Price is fair and reasonable.

C. Transitional period

Pursuant to the Acquisition Agreements, the profit and loss of Target Companies during the transitional period (i.e. a period commencing from the Appraisal Benchmark Date (i.e. 31 December 2021) to the date of Completion), shall be enjoyed or borne by the transferee. We also noted from the Acquisition Agreements that, during the transitional period, the transferor shall manage the Target Companies and its assets with the duty of care to ensure that no material adverse change to the Target Companies and its assets (other than any dividend declared by the relevant Target Company to be distributed as stated in the Acquisition Agreements).

Having considered that the considerations of the Acquisitions were based on, among other things, the appraised values the Target Companies (by income approach) as at 31 December 2021; and the profit or loss from Appraisal Benchmark Date to the completion date was considered in the process of the appraised value of the Target Companies, we consider the arrangement for profit and loss to be reasonable.

Having reviewed and considered the terms of the Acquisition Agreements, in particular the key terms as listed above (including (i) the considerations being fair and reasonable (details of our analyses are set out under the section headed "A. The considerations" above); and (ii) the Issue Price being fair and reasonable (details of our analyses are set out under the section headed "B. The Issue Price" above) and no abnormal term observed, we are of the view that the terms of the Acquisitions are on normal commercial terms and are fair and reasonable.

Possible dilution effect on the shareholding interests of the existing public Shareholders

As depicted by the table under the section headed "D. Effect on the Shareholding Structure" of the Board Letter, upon Completion, the shareholding interests of the existing public Shareholders would be diluted by approximately 5.67 percentage points. Nonetheless, in view of (i) the reasons for the Acquisitions; and (ii) the terms of the Acquisition Agreements being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Acquisitions are on normal commercial terms and are fair and reasonable; and (ii) the Acquisitions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the General Meeting to approve the Acquisitions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

Set out below is a summary of the Asset Appraisal Reports containing the asset appraisals of the Target Companies in the wind power generation industry (“**Wind Power Appraisals**”), photovoltaic power generation industry (“**Photovoltaic Appraisals**”) and environmental waste power generation industry (“**Waste Power Appraisals**”). For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions of the income approach valuation with discounted cash flow method (which constituted a profit forecast under Rule 14.61 of the Listing Rules) set out in the Asset Appraisal Reports in respect of the Target Companies are also set out below.

VALUATION ASSUMPTIONS

(I) General assumptions applicable to the Asset Appraisal Reports in relation to all Target Companies

1. The industry maintains steady growth, and there are no material changes in the applicable national and local laws, regulations, rules, and socio-political and economic policies.
2. The company will conduct its existing businesses or similar businesses on a going concern basis at its current scale or at a scale attainable by its financing capacity as determined by its current assets, without considering additional shareholder input.
3. There are no material changes in the relationship between the company and its domestic and foreign partners or in their mutual interests.
4. There are no material changes in the current national loan interest rates, exchange rates, tax bases and rates, and policy fees and charges.
5. The appraisal conclusion is based on the information provided by the client and the target company, assuming that such information is objective, reasonable, true, legal and complete, and that the ownership of the appraised assets is clear.
6. There are no material adverse effects caused by other force majeure and unforeseeable factors.

(II) Specific assumptions applicable to the Asset Appraisal Reports in relation to all Target Companies

1. The assets of the target company will not change their use and will remain in continuous use after the Appraisal Benchmark Date.
2. The existing and future operators of the target company are responsible, and the management of the company can steadily push forward the company’s development plan and try their best to achieve the expected business outcome.
3. The target company complies with the applicable national laws and regulations, and there are no material violations that will affect the development and income realization of the company.

4. The accounting policies used in the historical financial information provided by the target company and the accounting policies and accounting methods used in profit forecast are basically consistent in all material aspects.
5. After the appraisal, the target company will continue to operate under the existing business model, and the operation conditions such as the supply and sales model of the company will remain unchanged.
6. The annual cash inflows (income) and outflows (expenditure) are even.
7. We have paid due attention to and disclosed the ownership status of those buildings and land use rights within the appraisal scope that are unlicensed or in the process of being licensed, while assuming that the future production and operation of the company will not be affected by such matters.
8. For the income tax incentives currently available to the company, we assume that the company continues to enjoy the incentives at the same rate during the applicable period, and the normal tax rate applies after the expiration of the incentives.

(III) Additional specific assumptions applicable to the Wind Power Appraisals

9. Given the actual settlement delay of new energy subsidies, it is assumed that the new energy subsidies for 2022–2023 will be settled with a 3-year delay, those for 2024 will be settled with a 2-year delay, and those for the period from 2025 to the end of the operation period will be settled with a 1-year delay (where applicable).

(IV) Additional specific assumptions applicable to the Photovoltaic Appraisals

9. Given the actual settlement delay of new energy subsidies, it is assumed that the new energy subsidies for 2022–2024 will be settled with a 2-year delay, and those for the period from 2025 to the end of the operation period will be settled with a 1-year delay. It is also assumed that the new energy subsidies for poverty alleviation projects will be settled together with the benchmark tariff (where applicable).
10. The macroeconomic environment is assumed to be relatively stable. The value of an asset is directly related to the macroeconomic environment. The appraisal assumes that the industrial policies, tax policies, and macroeconomic environment will remain relatively stable, thus ensuring a reasonable useful life for the appraisal results.
11. Interest rates, exchange rates, and tax rates are expected to remain at current levels with no material changes.
12. The industry maintains steady growth, and there are no material changes in the applicable national and local laws, regulations, rules, and socio-political and economic policies.
13. The relevant data of comparable cases from Wind Information are true and reliable.

14. The possible mortgage and guarantee in the future are not considered.
15. There are no material adverse effects caused by other force majeure and unforeseeable factors.

(V) Additional specific assumptions applicable to the Waste Power Appraisals

9. It is assumed that the company will be included in the national subsidy catalog in 2022 or 2023 (wherever appropriate). Given the actual settlement delay of new energy subsidies, it is assumed that the benchmark tariff for coal-fired power has a turnover period of one month; the provincial subsidies have a turnover period of one, three or six months; the national subsidies for 2022–2024 have a recovery period of 2 year, and those for 2025 and beyond have a recovery period of 1 year; the waste treatment income has a turnover period of two to three months; the slag sales income has a turnover period of one month; the sludge disposal income has a turnover period of three months (where applicable).
10. According to the Notice on VAT Policy on Comprehensive Utilization of Resources and Other Products (CS [2015] No. 78) issued by the Ministry of Finance and the State Taxation Administration, the appraisal assumes that the waste-to-energy (WTE) business enjoys the preferential policy of immediate 100% VAT refund and the waste disposal business enjoys the preferential policy of immediate 70% VAT refund in the future forecast period.

In accordance with the requirements of asset appraisal, it is determined that these assumptions are valid on the Appraisal Benchmark Date. When the economic environment changes greatly in the future, no liability will be assumed for deriving different appraisal conclusions due to changes of these assumptions.

VALUATION METHODOLOGIES

(I) Wind Power Appraisals

In preparing the Asset Appraisal Reports in relation to the Wind Power Appraisals (the “**Wind Power Appraisal Reports**”), Lixin concluded the valuations with income approach. With reference to the Wind Power Appraisal Reports and as confirmed by Lixin, Lixin considered each of the fundamental valuation approaches and that:

- there were sufficient transaction cases regarding the merger and acquisition of wind power companies in the market, with sufficient transaction information for Lixin to conduct the Wind Power Appraisals using market approach, as such, the comparable transactions method under market approach is applicable for the Wind Power Appraisals;

- the subject companies' expected income and expenses can be quantified and the future operating period of the subject companies can be estimated based on the remaining useful life of the relevant wind farms, as such, income approach is applicable for the Wind Power Appraisals; and
- as the subject companies are already in operation and there are time differences between the Appraisal Benchmark Date and the establishment period of the subject companies (including the setting up of the wind farms and the obtainment of relevant project filings), as such, asset-based approach is not applicable for the Wind Power Appraisals.

Despite both market approach and income approach are applicable for the Wind Power Appraisals, Lixin considered that (i) the results of income approach comprehensively consider the operational characteristics of and the favourable fiscal policies enjoyed by new energy enterprises; and (ii) although various adjustments will be applied to the appraisee and the comparable transactions when conducting the appraisal under market approach, there are uncertainties and factors that are unable to adjust given the uniqueness of each comparable transactions. As such, Lixin had rejected the results of market approach and adopted the results of income approach when concluding the Wind Power Appraisals.

According to Lixin:

- (i) as the subject companies are principally engaged in the generation of wind power through the operation of wind farms, the financial projections of the subject companies were forecasted based on the expected remaining useful lives of the wind farms operated by the subject companies.
- (ii) operating income were forecasted based on (a) the capacity of the wind farms ranging from 20.00MW to 400.00MW as at the valuation date; (b) the expected utilisation hours of wind power generating units per year ranging from 1,496.11 hours to 2,896.09 hours with reference to the relevant historical utilisation hours; (c) expected grid-connected power volume per year ranging from 47,415.01MW hours to 895,442.08MW hours with reference to the relevant historical grid-connected power volume; and (d) the expected income from sale of electricity per year ranging from RMB15.39 million to RMB291.13 million with reference to the relevant historical income from sale of electricity, and expected government subsidy in respect of the generation of wind power per year ranging from RMB9.75 million to RMB180.55 million with reference to the relevant historical government subsidy.
- (iii) operating expenditures include depreciation, amortisation, staff costs, repair and maintenance and outsourced electricity expenses with reference to the relevant historical operating expenditures.
- (iv) finance costs were forecasted with reference to the outstanding bank borrowings as at the valuation date and the interest rate for such bank borrowings.

- (v) the discount rate (weighted average cost of capital of the subject companies, which was calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight and then adding the products together) applied to the Wind Power Appraisals ranged from 6.85% to 7.35%.
- (vi) it adopted capital asset pricing model (“CAPM”) to assess the cost of equity of the subject companies for the Wind Power Appraisals. In arriving at the cost of equity, Lixin took into account a number of factors including (1) risk-free rate of 2.83%; (2) market risk premium of 6.85%; (3) beta of 0.4219; and (4) specific risk premium ranging from 1.88% to 2.25%.
- (vii) it adopted the cost of debt ranging from 3.59% to 4.22%, which were determined with reference to either the existing cost of borrowings of the subject companies or the loan prime rate in the PRC, net of tax effect.

(II) Photovoltaic Appraisals

In preparing the Asset Appraisal Reports in relation to the Photovoltaic Appraisals (the “**Photovoltaic Appraisal Reports**”), Lixin concluded the Photovoltaic Appraisals with income approach. With reference to the Photovoltaic Appraisal Reports and as confirmed by Lixin, Lixin considered each of the fundamental valuation approaches and that:

- there was sufficient information regarding the business scope and profitability of the comparable companies for Lixin to conduct the Photovoltaic Appraisals using market approach, as such, market approach is applicable for the Photovoltaic Appraisals;
- the subject companies’ expected income and expenses can be quantified and the future operating period of the subject companies can be estimated based on the remaining useful life of the relevant photovoltaic power stations, as such, income approach is applicable for the Photovoltaic Appraisals; and
- as the subject companies are already in operation and there are time differences between the Appraisal Benchmark Date and the establishment period of the subject companies (including the setting up of the photovoltaic power stations and the obtainment of relevant project filings), as such, asset based approach is not applicable for the Photovoltaic Appraisals.

Despite both market approach and income approach are applicable for the Photovoltaic Appraisals, Lixin considered that (i) the results of income approach comprehensively consider the operational characteristics of and the favourable fiscal policies enjoyed by new energy enterprises; and (ii) although various adjustments will be applied to the appraisee and the comparable transactions when conducting the appraisal under market approach, there are uncertainties and factors that are unable to adjust given the uniqueness of each comparable transactions. As such, Lixin had rejected the results of market approach and adopted the results of income approach when concluding the Photovoltaic Appraisals.

According to Lixin:

- (i) the subject companies are principally engaged in the generation of photovoltaic power through the operation of photovoltaic power stations, the financial projections of the subject companies were forecasted based on the expected remaining useful lives of the photovoltaic power stations operated by the subject companies.
- (ii) operating income were forecasted based on (a) the capacity of the photovoltaic power stations ranging from 0.50MW to 70.00MW as at the valuation date; (b) the expected utilisation hours of photovoltaic power generating units per year ranging from 844.44 hours to 1,788.81 hours with reference to the relevant historical utilisation hours; (c) expected grid-connected power volume per year ranging from 894.40MW hours to 122,444.79MW hours with reference to the relevant historical grid-connected power volume; and (d) the expected income from sale of electricity per year ranging from RMB0.53 million to RMB44.77 million with reference to the relevant historical income from sale of electricity, and expected government subsidy in respect of the generation of photovoltaic power per year ranging from nil to RMB26.94 million with reference to the relevant historical government subsidy.
- (iii) operating expenditures include depreciation, amortisation, staff costs, repair and maintenance and outsourced electricity expenses with reference to the relevant historical operating expenditures.
- (iv) finance costs were forecasted with reference to the outstanding bank borrowings as at the valuation date and the interest rate for such bank borrowings.
- (v) the discount rate (weighted average cost of capital of the subject companies, which was calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight and then adding the products together) applied to the Photovoltaic Appraisals ranged from 6.88% to 7.88%.
- (vi) it adopted CAPM to assess the cost of equity of the subject companies for the Photovoltaic Appraisals. In arriving at the cost of equity, Lixin took into account a number of factors including (1) risk-free rate of 2.83%; (2) market risk premium of 6.85%; (3) beta ranging from 0.4219 to 0.4478; and (4) specific risk premium ranging from 2.04% to 2.25%.
- (vii) it adopted the cost of debt ranging from 3.48% to 4.90%, which were determined with reference to either the existing cost of borrowings of the subject companies or the loan prime rate in the PRC, net of tax effect.

(III) Waste Power Appraisals

In preparing the Asset Appraisal Reports in relation to the Waste Power Appraisals (the “**Waste Power Appraisal Reports**”), Lixin concluded the valuations with income approach. With reference to the Waste Power Appraisal Reports and as confirmed by Lixin, Lixin considered each of the fundamental valuation approaches and that:

- as the subject companies are in the preliminary production stage, it is difficult to identify companies with comparable asset scale and structure, business scope and profitability within the industry, and thus market approach is not applicable for the Waste Power Appraisals;
- the subject companies’ expected income and expenses can be quantified and the future operating period of the subject companies can be estimated based on the remaining useful life of the relevant waste treatment plants, as such, income approach is applicable for the Waste Power Appraisals; and
- as supported by sizeable population of precedents, the use of asset-based approach by subtracting the appraised values of liabilities from the appraised values of assets to conclude the market value of the appraisee is acceptable among the market, thus, the asset-based approach is applicable for the Waste Power Appraisals.

Despite both income approach and asset-based approach are applicable for the Waste Power Appraisals, Lixin considered that (i) the appraisal under income approach take into account the overall future profitability of the appraisee; and (ii) as the subject companies under the Waste Power Appraisals operate their waste treatment plants through the build-operate-transfer (“**BOT**”) arrangements, under asset-based approach, the appraised value of the assets and liabilities related to the operation of the waste treatment plants under BOT arrangements were considered in the appraised value of intangible assets (namely, the operating rights of the waste treatment plants), which were also appraised by Lixin using income approach. As such, Lixin had rejected the results of the asset-based approach and adopted the results of the income approach when concluding the Waste Power Appraisals.

According to Lixin:

- (i) as the subject companies are principally engaged in the generation of waste power through the operation of waste treatment plants, the financial projections of the subject companies were forecasted based on the expected remaining useful lives of the waste treatment plants operated by the subject companies.
- (ii) operating income were forecasted based on (a) the estimated waste treatment volume of the waste treatment plants ranging from 0.27 million tonnes per year to 0.66 million tonnes per year with reference to the relevant historical waste treatment volume, and the estimated volume of waste power to be generated per ton of waste ranging from 0.29MW hours to 0.36MW hours with reference to the relevant historical volume of waste power to be generated per ton of waste; (b) the expected utilisation hours of waste power generating units per year ranging from 5,535.77 hours to 7,022.32 hours with reference to the relevant historical utilisation hours; (c)

expected grid-connected power volume per year ranging from 77,092.44MW hours to 234,018.37MW hours with reference to the relevant historical grid-connected power volume; and (d) the expected income from sale of electricity per year ranging from RMB36.08 million to RMB109.08 million with reference to the relevant historical income from sale of electricity, and expected government subsidy in respect of the generation of waste power per year ranging from RMB7.27 million to RMB17.92 million with reference to the relevant historical government subsidy.

- (iii) operating expenditures include depreciation, amortisation, staff costs, repair and maintenance and outsourced electricity expenses with reference to the relevant historical operating expenditures.
- (iv) finance costs were forecasted with reference to the outstanding bank borrowings as at the valuation date and the interest rate for such bank borrowings.
- (v) the discount rate (weighted average cost of capital of the subject companies, which was calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight and then adding the products together) applied to the Waste Power Appraisals ranged from 6.65% to 8.01%.
- (vi) it adopted CAPM to assess the cost of equity of the subject companies for the Waste Power Appraisals. In arriving at the cost of equity, Lixin took into account a number of factors including (1) risk-free rate of 2.83%; (2) market risk premium of 6.85%; (3) beta of 0.4336; and (4) specific risk premium ranging from 2.00% to 2.50%.
- (vii) it adopted the cost of debt ranging from 2.83% to 4.74%, which were determined with reference to either the existing cost of borrowings of the subject companies or the loan prime rate in the PRC, net of tax effect.

For details, please refer to the Asset Appraisal Reports which will be published on the websites of the Company (www.chinapower.hk) and the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular.

LETTER FROM CICC

The following is the full text of the report from CICC, for the purpose of, among other things, incorporation into this circular.

The Board of Directors
China Power International Development Limited
Suite 6301, 63/F., Central Plaza
18 Harbour Road Wanchai, Hong Kong

30 June 2022

Dear Sirs,

We refer to the announcement of China Power International Development Limited (the “**Company**”) dated 30 June 2022 (the “**Announcement**”) in relation to (i) Agreement I, which involves an acquisition of Equity Interests I by the Company from CPNE; (ii) Agreement II, which involves an acquisition of Equity Interests II by the Company from CPINE; (iii) Asset Appraisal Reports prepared by the independent valuer, Shanghai Lixin Appraisal Co., Ltd. (上海立信資產評估有限公司) (the “**Independent Valuer**”) in relation to the Equity Interests (the “**Valuation Reports**”).

We understand that the Independent Valuer has prepared the Valuation Reports based on the combination of the asset-based approach, the market-based approach and the income approach with discounted cash flow method, which is regarded as profit forecast (the “**Forecast**”) under Rule 14.61 of the Hong Kong Listing Rules. Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We have reviewed the Forecast included in the Valuation Reports, for which you as the Directors are solely responsible. We have attended discussions involving the management of the Company, the respective management of Target Companies and the Independent Valuer where the historical performance of the Target Companies, the calculations of the Forecast as well as the qualifications, bases and assumptions set out in the Valuation Reports were discussed. We have also considered the report addressed solely to and for the sole benefit of the Directors from Ernst & Young dated 30 June 2022 as set forth in Appendix III to the Announcement regarding the calculation of discounted future cash flows on which the Forecast is based. The Forecast is based on a number of bases and assumptions. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the Target Companies may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied that the Forecast included in the Valuation Reports, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you.

The work undertaken by us in giving the above view has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Hong Kong Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,

For and on behalf of

China International Capital Corporation Hong Kong Securities Limited

Name: David Ching

Title: Executive Director

REPORT FROM ERNST & YOUNG

The following is the full text of the report from Ernst & Young, for the purpose of, among other things, incorporation into this circular.

30 June 2022

The Board of Directors**China Power International Development Limited**

Suite 6301, 63/F., Central Plaza

18 Harbour Road, Wanchai, Hong Kong

**REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW
FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTERESTS IN
THE TARGET COMPANIES**

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 31 December 2021 prepared by Shanghai Lixin Appraisal Co., Ltd. in respect of certain companies (the “**Target Companies**”) set out in the “**List of Target Companies**” below as at 31 December 2021 is based. The valuation is set out in the announcement of China Power International Development Limited (the “**Company**”) dated 30 June 2022 (the “**Announcement**”) in connection with the proposed acquisition of equity interests in the Target Companies. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The key Assumptions are set out in Appendix I (Key Assumptions of the Asset Appraisal Reports) to the Announcement.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Companies. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Certified Public Accountants
Hong Kong

List of Target Companies

1. China Power Inner Mongolia Wind Power Generation Company Limited
2. Hailin China Power Hongqi Wind Power Generation Company Limited
3. Hailin China Power Sea Wave Wind Power Generation Company Limited
4. Gansu China Power Qiaowan Wind Power Generation Company Limited
5. China Power Dafeng Wind Power Generation Company Limited
6. Hubei China Power Chunyang Mountain Wind Power Company Limited
7. Gansu China Power Jiuquan Third Wind Power Generation Company Limited
8. Gansu China Power Guazhou Wind Power Generation Company Limited
9. Gansu China Power Wuwei Photovoltaic Power Generation Company Limited
10. Gansu China Power Baiyin Photovoltaic Power Generation Company Limited
11. Jiangxi China Power Yineng Decentralized Energy Company Limited
12. Zhao'an China Power Photovoltaic Power Generation Company Limited
13. China Power International Energy Investment Hainan Company Limited
14. Panzhihua China Power Photovoltaic Power Generation Company Limited
15. Yuanjiang China Power Photovoltaic Power Generation Company Limited
16. Haikou China Power Second Environmental Power Generation Company Limited
17. Wenchang China Power Environmental Power Generation Company Limited
18. Deyang He Xin Environmental Power Generation Company Limited
19. Shangqiu China Power Environmental Power Generation Company Limited
20. Haikou China Power Environmental Power Generation Company Limited
21. Bazhou China Power Environmental Power Generation Company Limited
22. China Power International New Energy Hainan Company Limited
23. Qionghai China Power Environmental Power Generation Company Limited

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. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as disclosed below, no person, not being a Director nor chief executive of the Company had an interest or short position in the Shares or underlying Shares which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives ⁽³⁾	Percentage of issued share capital of the Company (%)	Long/short position
SPIC Finance HK	Beneficial owner	392,275,453	3.62	Long
CPDL	Beneficial owner	2,662,000,000	24.57	Long
CPI Holding ⁽¹⁾	Interest of a controlled corporation	2,662,000,000	24.57	Long
	Beneficial owner	2,833,518,060	26.16	Long
SPIC ⁽²⁾	Interest of controlled corporations	5,887,793,513	54.35	Long

Notes:

- (1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.
- (2) SPIC is the beneficial owner of CPI Holding and SPIC Finance HK and therefore SPIC is deemed to be interested in the Shares owned by CPI Holding and SPIC Finance HK for the purposes of the SFO.
- (3) Save as disclosed above, SPIC, CPI Holding, CPDL and SPIC Finance HK do not have any interest in the equity derivatives of the Company.

3. DIRECTOR'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as the share options granted to our Directors under a share option incentive scheme pursuant to the ordinary resolution passed by the Shareholders on 15 June 2022 as disclosed in the table below, none of the Directors or the chief executive of the Company has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will have 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), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of Director	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/short position
HE Xi	Beneficial owner	the Company	5 July 2022	1,100,000	0.01	Long
GAO Ping	Beneficial owner	the Company	5 July 2022	1,100,000	0.01	Long

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of the Director	Position(s) within the Company	Other Interests
HE Xi	Chairman of the Board and Executive Director	Chief engineer of new energy of SPIC
ZHOU Jie	Non-executive Director	Director of CPI Holding and SPIC Guangdong Power Company Limited
XU Zuyong	Non-executive Director	Special duty director of SPIC

6. DIRECTOR'S INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up or subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the professional adviser who has given opinions, letter or advice contained in this circular:

Name	Qualifications
CICC	a licensed corporation under the SFO, licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified public accountants
Gram Capital	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Lixin	independent and qualified PRC appraiser

As at the Latest Practicable Date, all of the experts set out above:

- (i) did not have any beneficial shareholding in the share capital of any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group; and
- (ii) did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

All of the experts set out above had given and had not withdrawn their written consents to the issue of this circular with the inclusions of their reports, opinions or statements (as the case may be) as set out in this circular and references to their name in the form and context in which they are included.

8. INTERESTS IN ASSETS

As at the Latest Practicable Date, (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group; and (ii) none of the Directors or expert named in paragraph 7 of this Appendix had any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date of which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. DOCUMENTS ON DISPLAY

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

- (i) the Acquisition Agreements; and
- (ii) the Asset Appraisal Reports.

NOTICE OF THE GENERAL MEETING



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

NOTICE IS HEREBY GIVEN that a general meeting of China Power International Development Limited (the “**Company**”) will be held on Wednesday, 24 August 2022 at 10:00 a.m. with the principal meeting place at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and with an online live webcast simultaneously (the “**General Meeting**” or “**GM**”), for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- a. the conditional sale and purchase agreement (the “**Agreement I**”) dated 30 June 2022 between China Power (New Energy) Holdings Limited (“**CPNE**”) and the Company, pursuant to which the Company has conditionally agreed to acquire, and CPNE has conditionally agreed to sell, the equity interests of 73.3049% in Gansu China Power Jiuquan Third Wind Power Generation Company Limited* (甘肅中電酒泉第三風力發電有限公司), 46.0877% in Gansu China Power Guazhou Wind Power Generation Company Limited* (甘肅中電瓜州風力發電有限公司) (“**Guazhou Wind Power**”), 51% in Gansu China Power Wuwei Photovoltaic Power Generation Company Limited* (甘肅中電武威光伏發電有限公司) (“**Wuwei Photovoltaic**”), 30.8397% in Gansu China Power Baiyin Photovoltaic Power Generation Company Limited* (甘肅中電白銀光伏發電有限公司) (“**Baiyin Photovoltaic**”), 70% in Deyang He Xin Environmental Power Generation Company Limited* (德陽和新環保發電有限責任公司), 85% in Shangqiu China Power Environmental Power Generation Company Limited* (商丘中電環保發電有限公司), and 100% in China Power Dafeng Wind Power Generation Company Limited* (中電大豐風力發電有限公司), Hubei China Power Chunyang Mountain Wind Power Company Limited* (湖北中電純陽山風電有限公司), Panzihua China Power Photovoltaic Power Generation Company Limited* (攀枝花中電光伏發電有限公司), Yuanjiang China Power Photovoltaic Power Generation Company Limited* (元江中電光伏發電有限公司), Haikou China Power Second Environmental Power Generation Company Limited* (海口中電第二環保發電有限公司), Wenchang China Power Environmental Power Generation Company Limited* (文昌中電環保發電有限公司), Haikou China Power Environmental Power Generation Company Limited* (海口中電環保發電有限

NOTICE OF THE GENERAL MEETING

公司), Bazhou China Power Environmental Power Generation Company Limited* (霸州中電環保發電有限公司), China Power International New Energy Hainan Company Limited* (中電國際新能源海南有限公司) and Qionghai China Power Environmental Power Generation Company Limited* (瓊海中電環保發電有限公司) at an aggregate consideration of RMB5,782,593,419.82 (equivalent to approximately HK\$6,761,764,543.34), a copy of which has been produced to the meeting marked “A” and has been initialled by the chairman of this meeting for the purpose of identification, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified;

- b. the conditional sale and purchase agreement (the “**Agreement II**”) dated 30 June 2022 between China Power International New Energy Holding Limited* (中電國際新能源控股有限公司) (“**CPINE**”), and the Company, pursuant to which the Company has conditionally agreed to acquire and CPINE has conditionally agreed sell the equity interests of 53.9123% in Guazhou Wind Power, 49% in Wuwei Photovoltaic, 29.6303% in Baiyin Photovoltaic, 70% in Jiangxi China Power Yineng Decentralized Energy Company Limited* (江西中電儀能分散式能源有限公司), and 100% in China Power Inner Mongolia Wind Power Generation Company Limited* (中電內蒙古風力發電有限公司), Hailin China Power Hongqi Wind Power Generation Company Limited* (海林中電紅旗風力發電有限公司), Hailin China Power Sea Wave Wind Power Generation Company Limited* (海林中電海浪風力發電有限公司), Gansu China Power Qiaowan Wind Power Generation Company Limited* (甘肅中電橋灣風力發電有限公司), Zhao’an China Power Photovoltaic Power Generation Company Limited* (詔安中電光伏發電有限公司) and China Power International Energy Investment Hainan Company Limited* (中電國際能源投資海南有限公司) at an aggregate consideration of RMB1,670,098,862.61 (equivalent to approximately HK\$1,952,898,025.71), a copy of which has been produced to the meeting marked “B” and has been initialled by the chairman of this meeting for the purpose of identification, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified;
- c. the allotment and issue of 1,536,764,662 shares of the Company (“**Consideration Shares**”) at the issue price of HK\$4.40 per Consideration Share (the “**Issue Price**”) pursuant and subject to the terms and conditions of the Agreement I being hereby approved; the directors of the Company be and are hereby granted a special mandate (“**Special Mandate**”) to allot and issue the Consideration Shares accordingly, provided that this Special Mandate shall be in addition to, and shall not prejudice or revoke any existing or such other general or special mandates which may from time to time be granted to the directors of the Company prior to the passing of this resolution; and

NOTICE OF THE GENERAL MEETING

- d. any director(s) of the Company be and is/are hereby authorised to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the implementation and completion of Agreement I and Agreement II and transactions contemplated thereunder and (ii) any amendment, variation or modification of Agreement I and Agreement II and the transactions contemplated thereunder.”

* *English or Chinese translation, as the case may be, is for identification only*

By Order of the Board
China Power International Development Limited
HE Xi
Chairman

Hong Kong, 28 July 2022

Registered Office:
Suite 6301, 63/F., Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Notes:

1. Set out in the **“Special Arrangements for the General Meeting”** below, **Shareholders of the Company (the “Shareholders”) will NOT be permitted to attend the GM in person, but may view and listen to the GM by online live webcast. Shareholders who wish to vote at the GM should complete and return the form of proxy, appointing the chairman of the GM as their proxies,** (i) to the Company’s share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or (ii) **electronically via the Company’s email address at eproxy@chinapower.hk** not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof (as the case may be). This email address is provided solely for receiving proxy forms relating to the GM and shall not be used for any other purposes.
2. **Closure of register of members of the Company for the GM:** The register of members of the Company will be closed from Friday, 19 August 2022 to Wednesday, 24 August 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to vote at the GM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong **not later than 4:30 p.m. on Thursday, 18 August 2022.**
3. In light of the risks posed by the ongoing COVID-19 pandemic and for the purpose of public health and safety, the Company is adopting the following **Special Arrangements for the General Meeting:**
 - (a) As required under the articles of association of the Company to form a quorate meeting, the GM will be held with the minimum number of attendees to ensure the proper conduct of the GM at the principal meeting place. The quorum will be formed by the directors of the Company or other senior staff who are Shareholders or proxies. **NO other Shareholder, proxy or corporate representative should attend the GM in person, and NO any other person will be permitted entry to the venue of the GM.**

NOTICE OF THE GENERAL MEETING

- (b) The voting of the resolution at the GM will be decided on a poll. Shareholders will still be able to vote by doing so in advance of the GM by proxy. **If Shareholders wish to vote on any resolution at the GM, they must appoint the chairman of the GM as their proxies to exercise their vote at the GM in accordance with their instructions. If they appoint a person who is not the chairman of the GM as their proxies, that person will not be permitted entry to the meeting and therefore will not be able to exercise their vote.**
 - (c) **Registered Shareholders** may view and listen to the live webcast of the GM proceedings through <http://www.chinapower.hk/webcast/2022/20220824.php>. The live webcast will be open for registered Shareholders to log in approximately 30 minutes prior to the commencement of the GM and can be accessed from any location with access to the internet with a smart phone, tablet device or computer. Please however, note that registered Shareholders joining the live webcast will not be counted towards a quorum nor will they be able to cast their vote online.
 - (d) **Details regarding the live webcast including the login details will be sent to the registered Shareholders before the GM.**
 - (e) **Non-registered Shareholders** whose Shares are held through banks, brokers, custodians or HKSCC Nominees Limited (collectively the “**Intermediary**”) should instruct their Intermediary to appoint themselves as proxies or corporate representatives to view and listen to the GM via the live webcast and in doing so, they will be asked to provide their email address. Details regarding the live webcast including the login details will be emailed to them by the Company.
 - (f) **Questions at or prior to the GM:** Shareholders joining the online GM will be able to raise questions relevant to the proposed resolution during the live webcast. Prior to the GM, Shareholders are also welcome to send such questions or matters in writing to the Company’s email at ir@chinapower.hk before Friday, 19 August 2022 at 7:00 p.m. The Company will endeavour to address relevant questions in relation to the proposed resolution. The Company may not be able to answer all the questions during the time allocated. Unanswered questions may be responded to after the GM.
 - (g) **There will be NO distribution of gifts, souvenirs or bakery vouchers at the GM.**
4. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, all directors of the Company will attend the GM by means of video conference or similar electronic means.
 5. In the event that a gale warning (tropical cyclone no. 8 or above) or black rainstorm warning is in effect at any time between 9:00 a.m. and 10:00 a.m. on the day of the above meeting, the above meeting will be automatically postponed to a later date. In this event, the Company will, as soon as practicable, post an announcement on its website and on the website of the Stock Exchange to notify the Shareholders that the above meeting has been postponed (however, a failure to post such an announcement shall not affect the automatic postponement of such meeting). Shareholders may also telephone the Company’s hotline on (852) 2862 8555 to enquire whether the meeting has been cancelled. When the date, time and location of the rescheduled meeting has been fixed, the Company will post a further announcement on its website and on the website of the Stock Exchange to notify the Shareholders of the date, time and location of the rescheduled meeting. At least seven clear days’ notice shall be given of the rescheduled meeting.
 6. As at the date of this notice, the directors of the Company are: executive directors HE Xi and GAO Ping, non-executive directors ZHOU Jie and XU Zuyong, and independent non-executive directors LI Fang, YAU Ka Chi and HUI Hon Chung, Stanley.

NOTICE OF THE GENERAL MEETING

If Shareholders have any questions relating to the GM, please contact the share registrar of the Company as follows:

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2865 0990

Online Enquiries: www.computershare.com/hk/en/online_feedback

Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the HKSAR Government and/or regulatory authorities, the Company may implement further precautionary measures and change the GM arrangements at short notice and may announce further updates on the websites of the Company (www.chinapower.hk) and/or the Stock Exchange (www.hkexnews.hk) as and when appropriate. Shareholders should check the latest announcements published by the Company for further updates on the GM arrangements.