

20 September 2024

Dear Sirs,

(1) CONTINUING CONNECTED TRANSACTIONS

On 3 July 2024, after trading hours:

④ 4,101V and D-101V Project Implementation Units (all of which are subsidiaries of the



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2023 Rural Power Grid Contracts

(a) EPC Contract for 10kV and Below Project

Company and certain Other 10kV and Below Project Implementation Units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Consolidated Energy is a wholly-owned



The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Siu Chi Hung, Mr. Chen Chuan, Mr. Mou Yingshi, Prof. Li Jian and Ms. He Yin, has been formed

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the terms of the Electricity Purchase Framework Agreements and 2022 Rural Power Grid Contracts, we have taken into account the following principal

factors and reasons:

THE CONTRACTS CONNECTED TO A REGION UNDER ELECTRICITY PURCHASE

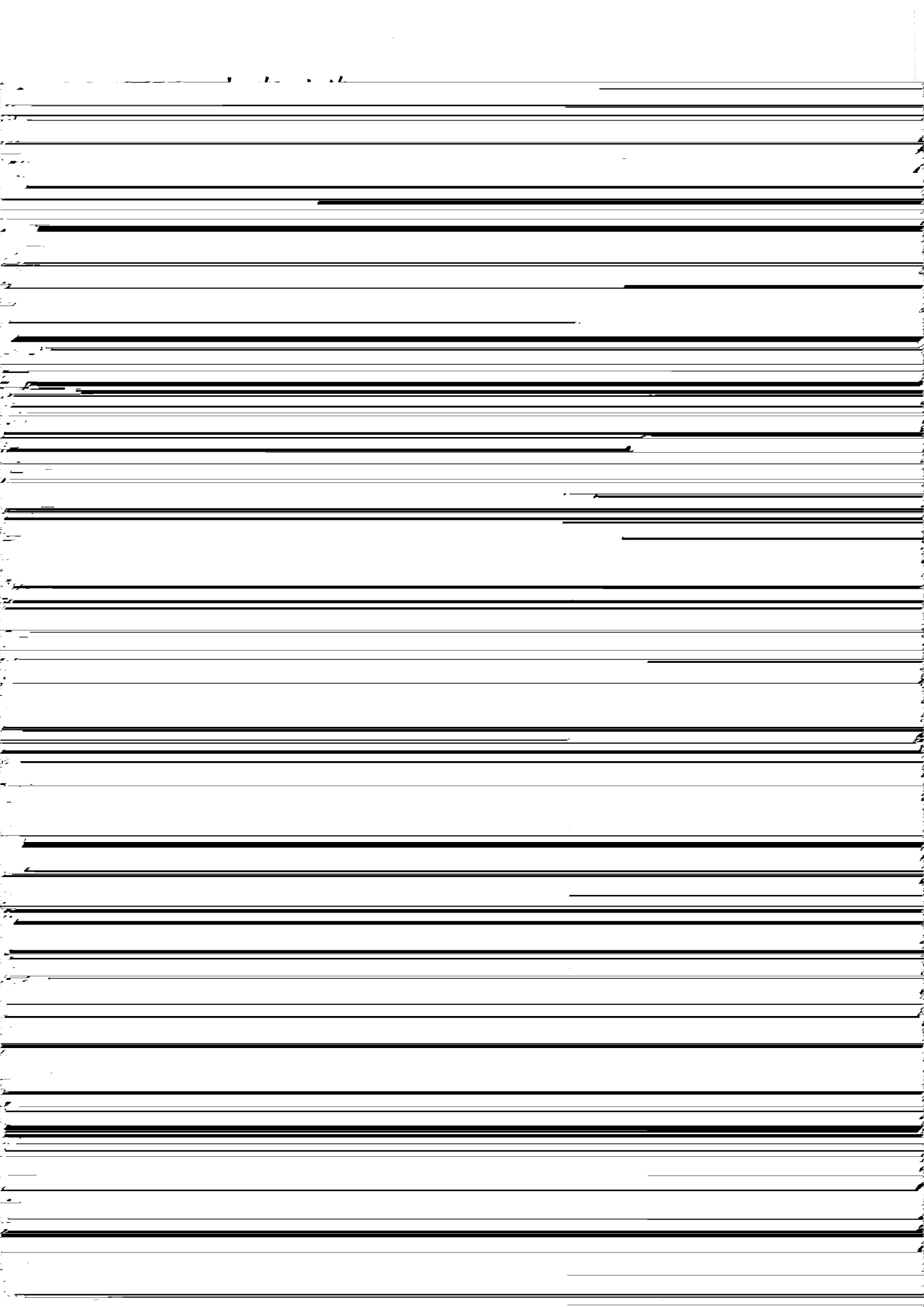
RMB352.5 million for the year ended 31 December 2022 to approximately RMB403.2 million for the year ended 31 December 2023, which was primarily due to (i) the increase in gross profit by approximately 18.1% from approximately RMB572.4 million for the year ended 31 December 2022 to approximately RMB675.9 million for the year ended 31 December 2023; and (ii) increase in finance cost disposed by RMB15.5 million during each period, which was partially offset

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The Group's liabilities increased by approximately 48.8% from approximately RMB1,962.8 million as at 31 December 2022 to approximately RMB2,921.0 million as at 31 December 2023, which was primarily due to (i) the increase in current liabilities by approximately 26.2% from approximately RMB1,511.6 million as at 31 December 2022 to approximately RMB1,907.0 million as at 31 December 2023; and (ii) the increase in total non-current liabilities by approximately

1.25 times from approximately RMB451.2 million as at 31 December 2022 to approximately

The operating profit of the Group increased from approximately RMB144.9 million for

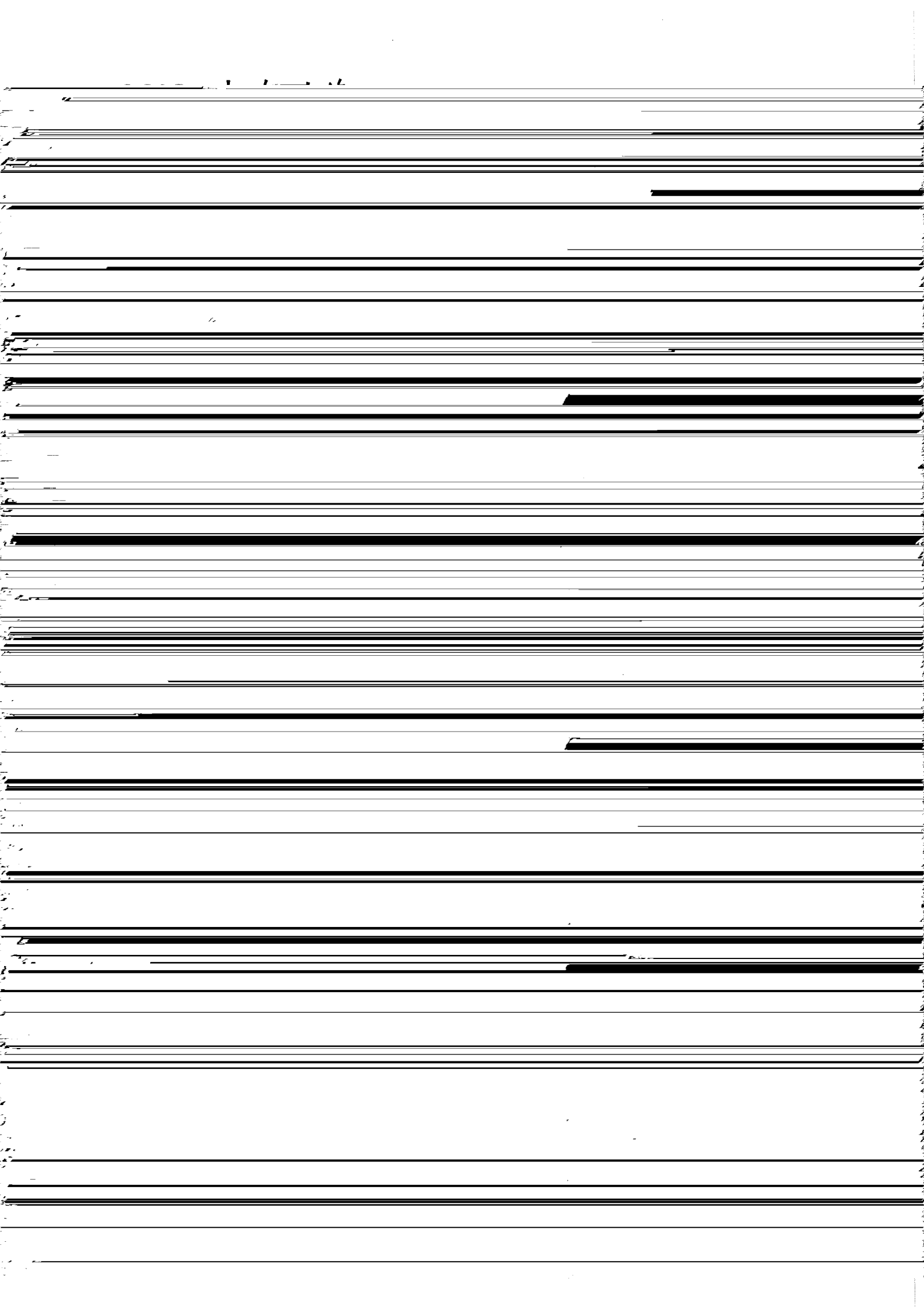


3. Electricity Purchase Framework Agreements

Save for (i) the parties to the Electricity Purchase Agreements, (ii) the unit price of electricity to

be paid by the Group under each of the Electricity Purchase Framework Agreements, (iii) the maximum

and (iv) the maximum quantity of electricity to be purchased under each of the Electricity Purchase Framework Agreements and



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

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

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

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

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Having considered (i) the electricity purchase under the Electricity Purchase Framework Agreements is conducted in the ordinary and usual course of business of the Group; (ii) the business nature of the Group required significant amount of electricity; (iii) as informed by the Company, the supply of electricity from Yibin Zhangwo and Shuifu Hongli were stable even during the peak demand period

and Shuifu Hongli are not less favourable to the Group than that charged by either State Grid and China

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

	For the year ended 31 December			For the four months ended	For the year ending 31 December		
	2021	2022	2023	30 April	2024	2025	2026
	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)	('000 kWh)
Zhangwo Power Station	250,410.4	240,077.7	251,604.0	50,921.0	224,000	249,000	226,000

IV. For the Zhangwo Power Station, it is fair and reasonable to adopt the highest

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

It is observed that for the Dayukong Power Station, the Company has adopted the average of highest annual utilisation hours in the past five years and the designed annual utilisation hours

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Taking into the reasons abovementioned, we considered the unit prices as offered by Zhangwo Power Station is fair and reasonable. Though the unit price offered by Dayukong Power

Independent Third Parties (i.e. difference of RMB0.01 kWh), we considered the reasons and benefits for entering into the Electricity Purchase Agreements as discussed under the sub-paragraph (a) headed “Reasons and benefits for entering into the Electricity Purchase Framework Agreement” above outweigh such trivial difference.

The buffer as considered

We have discussed with the Management and was informed that the unit price of electricity will be lowered approximately 24% during the high-water period and be increased approximately 24.5% during the low-water period. Taking into account that the volume to be consumed by the

Also, in order to ensure that the terms under the Electricity Purchase Framework Agreements for

transactions are carried out under normal commercial terms, the Company have adopted the following internal control procedures:

- (i) the operation management department of the Company will monitor the transactions under the Electricity Purchase Framework Agreements on a regular basis, and assess whether the annual caps are expected to be exceeded based on the volume of electricity already purchased and the amount of electricity fee already incurred by the Group. Where necessary, before

II. 2023 RURAL POWER GRID CONTRACTS

1. Information of Parties Involved

Xuzhou Electricity

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

Gao County Electricity

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

Gong County Electricity

Gong County Electricity is a limited liability company established in the PRC and a

wholly-owned subsidiary of the Company and engaged in power generation and supply.

Junlian Electricity

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

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Sichuan Energy Investment Development Construction

Sichuan Energy Investment Development Construction Co., Ltd.* (四川能投發展建

設有限公司) (formerly known as Sichuan Energy Yibin Electricity Engineering Co., Ltd.* (四
川能投宜賓電力工程建設有限公司))

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Sichuan Yilian

as to approximately 33.52% by Energy Investment Group, directly owned as to approximately

四川依廉有限公司 (Sichuan Yilian Co., Ltd.) 由 謝維 (Xie Wei) 先生 (Mr. Xie Wei) 直接持有約 33.52%

2. 2023 Rural Power Grid Contracts

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

(i) *EPC Contract for 10kV and Below Project*

Date: 3 July 2024 (after trading hours)

Parties:

- (1) Hydropower Group (as principal);
- (2) Sichuan Energy Construction (as contractor);
- (3) Sichuan Energy Consolidated Energy (as contractor);
- (4) Sichuan Energy Investment Development Construction (as contractor);

(6) Other 10kV and Below Project Implementation Units

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

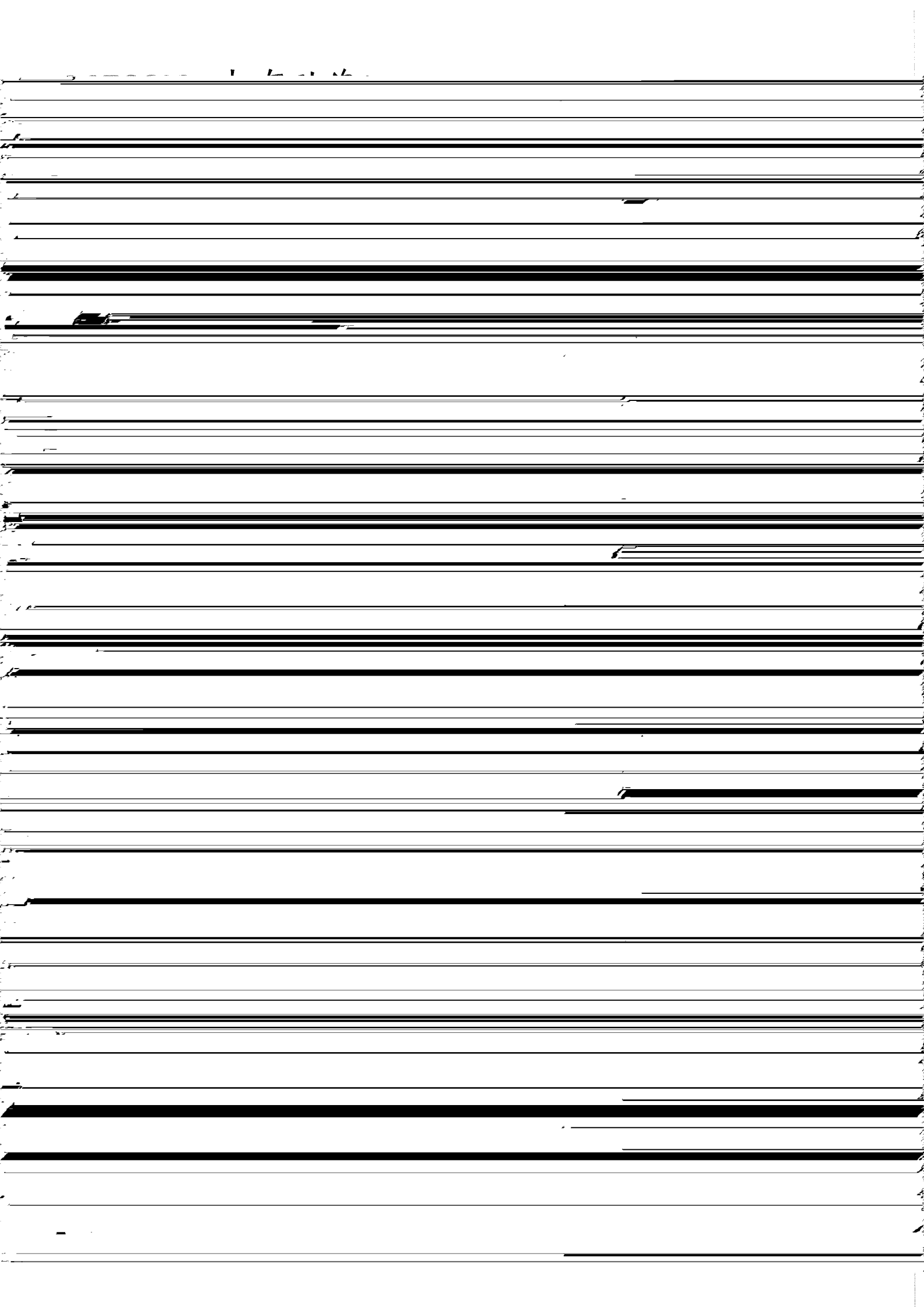
The EPC Contract for 10kV and Below Project covers two major

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

Total estimated contract price payable under the EPC Contract for 10kV and Below Project:

RMB967,673,620 ^{Note} (tax inclusive) which comprises (i) the survey and design fee of RMB60,234,917 (tax inclusive); (ii) the construction fee of RMB903,927,449 (tax inclusive); and (iii) the auxiliary material fee of RMB3,511,254 (tax inclusive), subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group.

Out of the total estimated contract price of RMB967,673,620 ^{Note} (tax inclusive), it is envisaged that (i) the 10kV and Below ~~Project Implementation Units shall share and be responsible~~



Payment terms:

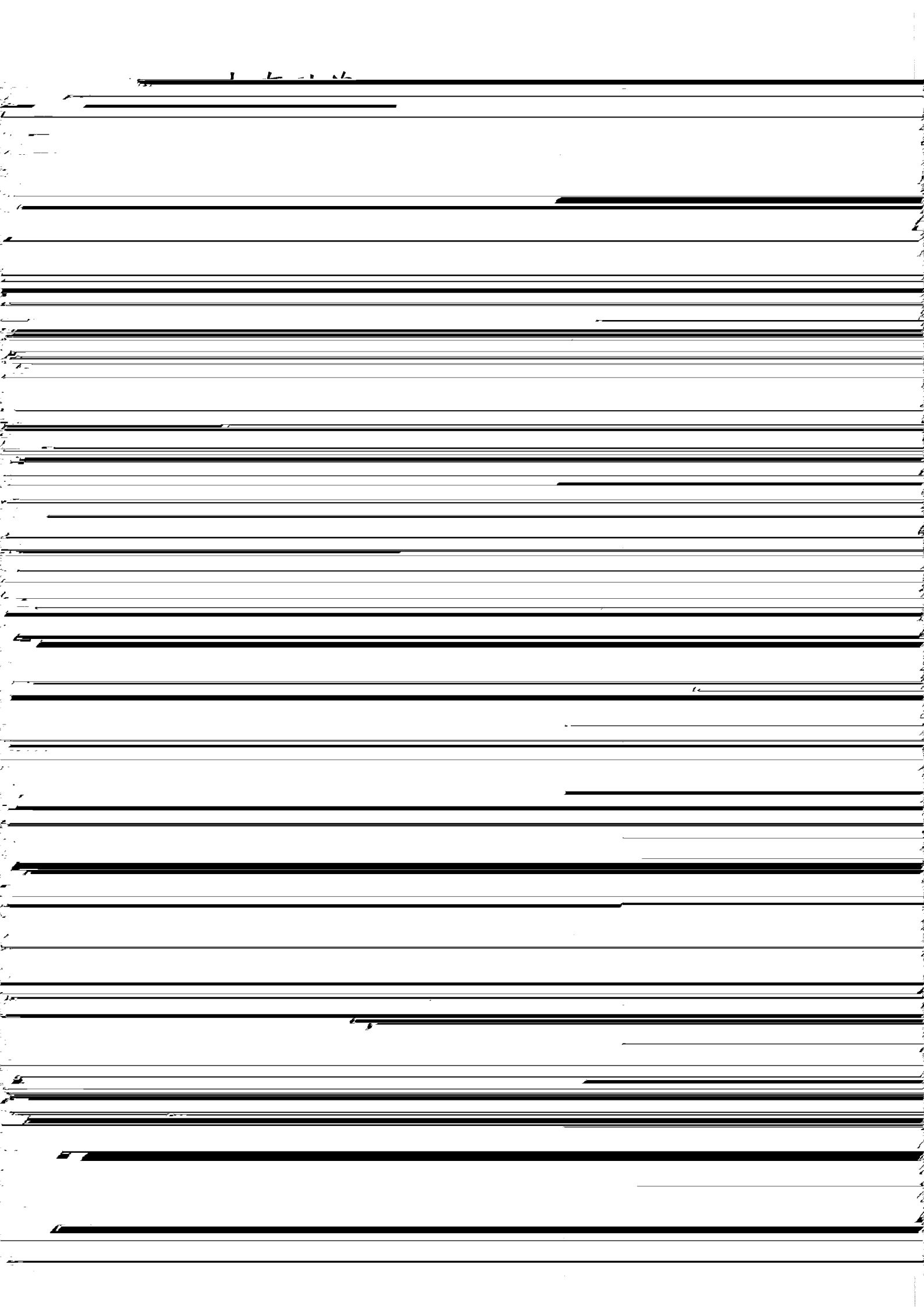
The contract price shall be paid in the following manner:

(i) *Advance payments*

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

application for advance payments.

The advance payment shall be credited into the progress payments (as detailed below) once the aggregate progress payments reached 30% of the total contract sum. At which point, 30% of the advance payments shall be credited into



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Advance payment
guarantee:

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

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

Performance
guarantee:

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

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

application to return the performance guarantee to be submitted by the contractors.

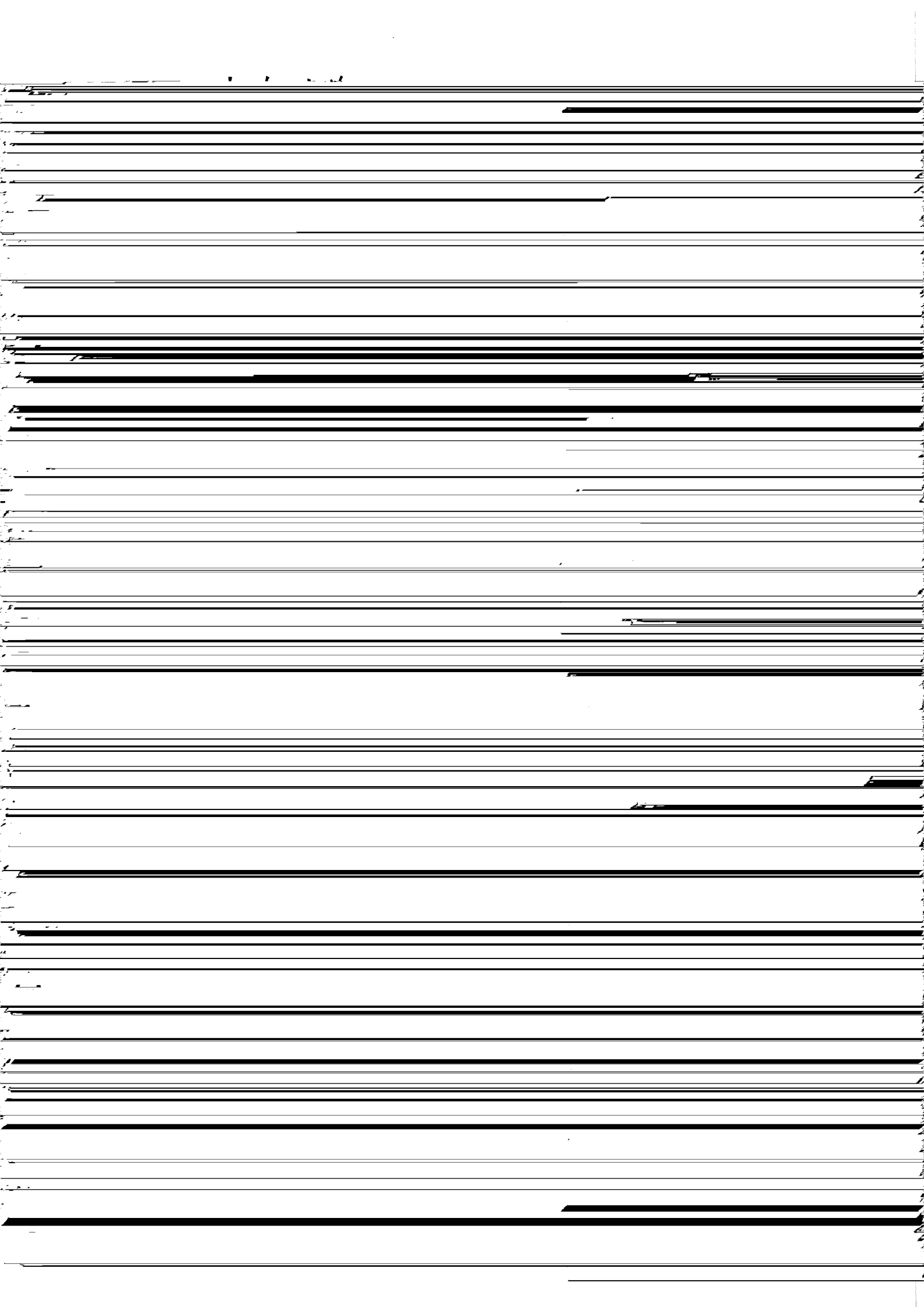
(ii) *Equipment and Materials Procurement Contract*

Date: 3 July 2024 (after trading hours)

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

Project: The 10kV and Below Project

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



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Qualifications: 10 months (commencing from the commencement of the project)

whichever is the later, unless otherwise specified under national

The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation Expert and Bid Evaluation Expert Pool of Sichuan Province*

“Management Measures”) and the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》). As confirmed by the Directors, the bid evaluation committee consisted of nine

members, of which six bid evaluation experts were randomly selected from the Bid Evaluation Expert Database of Sichuan Province* (四川省評標專家庫) and three being representatives of Hydropower Group. To the best knowledge of the Directors, the said six randomly selected bid evaluation experts being



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

the following conditions precedent:

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved contractors;
3. the rural power grid investment contract among Hydropower Group, the 35kV and Above Project Implementation Units and Other 35kV and Above Project Implementation Units having been executed and become effective (in the event certain implementation units did not enter into any effective

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

Based on the Company's past experience and estimation, the final payment amount is expected to have fluctuation of no more

than 5% from the estimated contract price.

Pricing:

The estimated contract price was the successful tender price offered by Sichuan Energy Construction, Sichuan Energy Consolidated Energy and Sichuan Energy Investment Development

When selecting the successful bidder, the bid evaluation committee had considered a basket of factors including, among others, (i) from the business aspects, the bidder's background, experience

credibility and the bidding price for the required services; and (ii)

control and assurance and the qualification(s) possessed by the professional team of the bidder to be engaged.

(ii) *Progress payments*

Survey and design fee

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

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

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

The remaining 3% of the total survey and design fee shall

expiry of defect liability period.

Other progress payments

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

Up to 85% of the total contract price (after deducting the

survey and design fee) after completion and acceptance of the project.

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Advance payment
guarantee:

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

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

Performance
guarantee:

The contractors shall provide performance guarantee in the amount equivalent to 10% of the total contract price to the principal by

way of cash or a letter of guarantee.

months after the satisfactory completion inspection or delivery

(where applicable) of the 35kV and Above Project and upon the approval by the principal of the application to return the performance guarantee to be submitted by the contractors

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

Construction period: 275 calendar days

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

1. the legal representative or authorised agent of each party to the contract having executed the contract or affixed the seal thereto;
2. Hydropower Group having received the performance guarantee from the approved contractors;
3. the rural power grid investment contract among Hydropower Group, the Automation Engineering Project Implementation Units and Other Automation Engineering

become effective (in the event certain implementation units
~~did not enter into any effective rural power grid investment~~

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Total estimated contract price payable under the EPC Contract RMB90,694,397.00 (tax inclusive) which comprises (i) the design fee of RMB3,175,063.00 (tax inclusive); (ii) the construction fee and other fee of RMB13,426,622.00 (tax inclusive); and (iii) the

for Automation Engineering Project:

subject to completion and settlement audit report issued by an audit institution engaged by Hydropower Group.

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

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

Pricing:

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

The bid evaluation committee was formed in accordance with the requirements of the Management Measures on Bid Evaluation

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

The contract shall be paid in the following manner:

(i) Advance payments

The advance payment shall be 20% of the total estimated

contract price and payable within 14 days upon approval by the Automation Engineering Project Implementation Units and Other Automation Engineering Project Implementation Units of the application for advance payments.

The advance payment shall be credited into the progress

Advance payment
guarantee:

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

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

Performance
guarantee:

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

(v) *Construction Supervision Contract*

Date:

3 July 2024 (after trading hours)

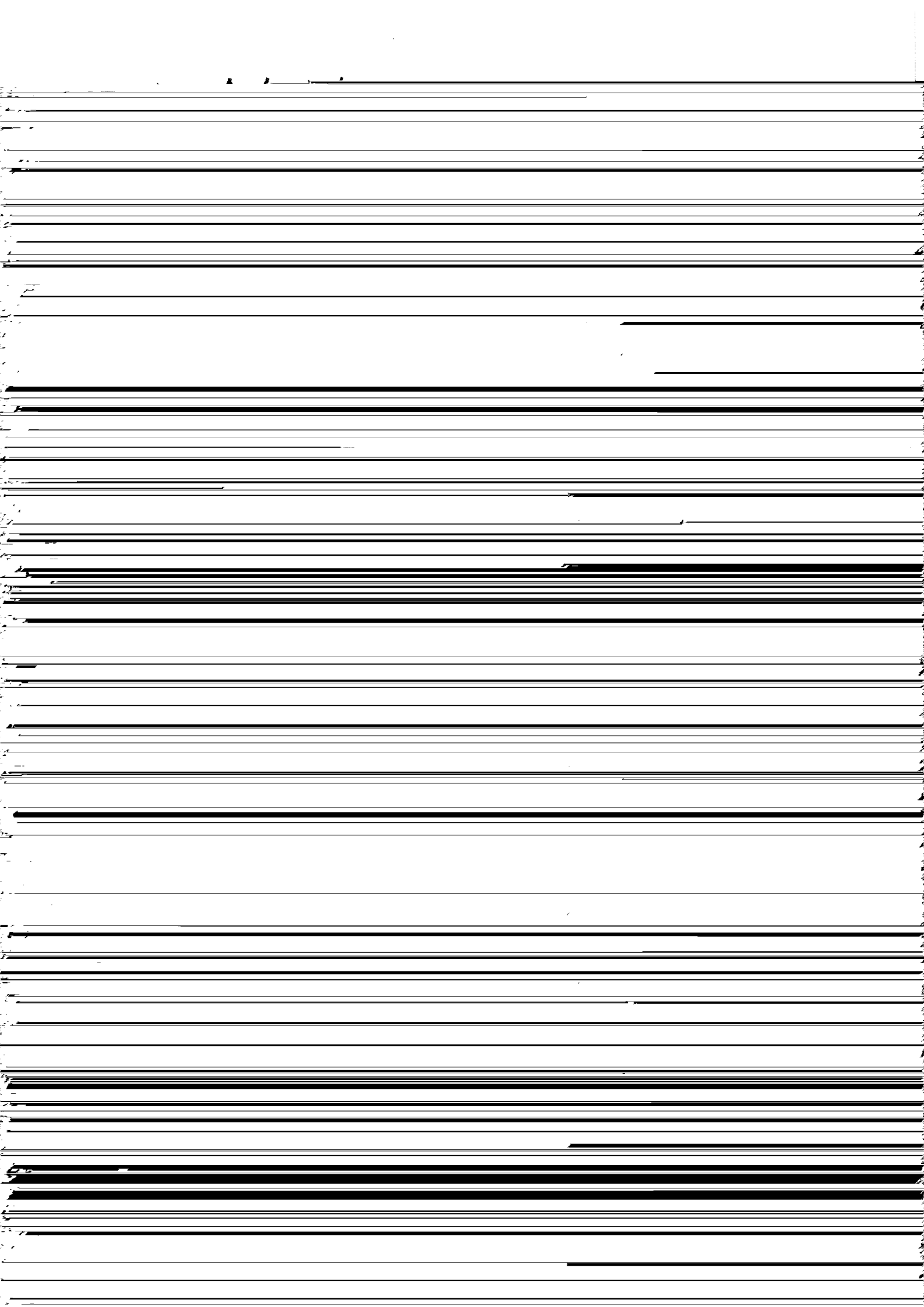
Parties:

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

Project:

The ~~2022~~ Rural Power Grid Consolidation and Improvement Project and the New Rural Power Grid Consolidation and Improvement Project.

The Construction Supervision Contract covers two major projects.



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

~~Details~~

~~The estimated contract price was the successful tender price~~

Payment terms:

The contract price shall be paid in the following manner:

- (i) 15% of the estimated contract price as advance payments within 14 days upon approval by the Construction Supervision Implementation Units and Other Construction ~~Commission Implementation Units of the application for~~

advance payments;

- (ii) up to 20% of the contract price based on the actual amount

of construction work completed every two months;

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The EPC Contract for 10kV and Below Project and the Equipment and Materials Procurement Contract cover the same 26 counties (cities and districts), including Xuzhou District, Gao County,

10kV and Below Project Implementation Units) is responsible for the works of the projects thereat.

after considering the advice from the Independent Financial Adviser but excluding the Directors who have abstained from voting on the Board resolutions (as set out below) to approve the 2023 Rural Power Grid Contracts)) are of the view that the 2023 Rural Power Grid Contracts are entered

into on terms that are fair and reasonable and in

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We have reviewed the evaluation reports for all the five contracts consisting of 2023

and we have concluded that the evaluation reports have declared none

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For the payment terms, we have selected sample contracts to see whether the 2023 Rural Power Grid Contracts are in line with the industry practice. Our selection criteria include: (i) the sample contracts should have the similar scope of service with the 2023 Rural Power Grid Contracts; (ii) the projects under the sample contracts

were similar to those of the 2023 Rural Power Grid Contracts; and (iii) the projects under the sample contracts were completed during the period from year 2021 to the seven months ended 31 July 2024. According to our selection criteria, we have been provided a set of

Having considered the above principal factors and reasons, we are of the opinion that (i) the transactions contemplated under the Electricity Purchase Framework Agreements and the 2022 Deal: