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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 proxy form 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

#### EPC Contracting Agreements, Preliminary Development and Technical Consultancy Agreement and Construction Engineering Survey Agreement

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



Gram Capital Limited  
嘉林資本有限公司

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A notice convening the General Meeting to be held at Meeting Room S421 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 3 June 2021 at 11:00 a.m. is set out on pages 54 to 57 of this circular.

#### PRECAUTIONARY MEASURES FOR THE GENERAL MEETING

The following precautionary measures will be implemented at the General Meeting to prevent and control the spreading of the COVID-19 pandemic.

- **NO** serving of any refreshments or beverages and **NO** distribution of any gifts or bakery vouchers
- Compulsory body temperature screening/checks
- Mandatory wearing of surgical face masks at all times
- Mandatory filling out of health and travel declaration form
- Appropriate social distancing and limiting the number of attendees to avoid over-crowding

Attendees who do not comply with the above precautionary measures may be denied entry to the General Meeting venue, at the absolute discretion of the Company as permitted by law. For health and safety purposes, shareholders of the Company are strongly encouraged **NOT to attend the General Meeting in person** and are advised **to appoint the chairman of the General Meeting as their proxy to vote according to their indicated voting instructions** as an alternative to attending the General Meeting in person.

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*Independent Shareholders are advised to read carefully the notice of the General Meeting and its accompanying notes for the arrangement details on exercising their voting rights, and the precautionary measures to be taken if attending the General Meeting in person, as set out at the end of this circular.*

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## DEFINITIONS

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*In this circular, (other than the Notice of the General Meeting) the following expressions have the following meanings:*

“associates”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“Company”	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
“Construction Engineering Survey Agreement”	the agreement dated 13 April 2021 entered into between Haiyang Wind Power and Shandong Institute in relation to the engineering surveying services for the Project
“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
“Director(s)”	director(s) of the Company
“EPC Contracting Agreements”	the Onshore Construction EPC Agreement and the Offshore Construction EPC Agreement, each a “EPC Contracting Agreement”
“General Meeting”	the general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Project Agreements and the Transactions
“Group”	the Company and its subsidiaries from time to time
“Haiyang Wind Power” or “Employer”	SPIC Haiyang Offshore Wind Power Co., Ltd* (國家電投集團海陽海上風電有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the committee of all the independent non-executive Directors, consisting of Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi, which has been formed to advise the Independent Shareholders in respect of the Project Agreements and the Transactions
“Independent Consultant”	<p>POWERCHINA Huadong Engineering Corporation Limited* (中國電建集團華東勘測設計研究院有限公司) founded in 1954 in the PRC, is a State-owned enterprise, a subsidiary of Power Construction Corporation of China, Ltd.* (中國電力建設股份有限公司) that listed on the Shanghai Stock Exchange (stock code: SH601669), and its ultimate controlling shareholder is Power Construction Corporation of China* (中國電力建設集團有限公司, one of the world’s Top 500 enterprises)</p> <p>As at the date of this circular, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Independent Consultant and its ultimate beneficial owner are third parties independent of the Company and its connected persons.</p>
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry on 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 Project Agreements and the Transactions
“Independent Shareholders”	the shareholders of the Company other than SPIC and its associates
“kWh”	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Latest Practicable Date”	11 May 2021, 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
“MW”	megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW

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## DEFINITIONS

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“Offshore Construction EPC Agreement”	the agreement dated 13 April 2021 entered into between Haiyang Wind Power and Shandong Institute in relation to the engineering, procurement and construction services for offshore constructions of the Project
“Onshore Construction EPC Agreement”	the agreement dated 13 April 2021 entered into between Haiyang Wind Power and Shandong Institute in relation to the engineering, procurement and construction services for onshore constructions of the Project
“PRC” or “China” or “State”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Preliminary Development and Technical Consultancy Agreement”	the agreement dated 13 April 2021 entered into between Haiyang Wind Power and Shandong Institute in relation to the technical consultancy services in respect of the preliminary development of the Project
“Project”	being the first phase of the project for development and construction of an offshore wind power plant with an installed capacity of 300MW (out of the entire project of a total planned installed capacity of 500MW) in Shandong Province, the PRC
“Project Agreements”	(i) the Onshore Construction EPC Agreement; (ii) the Offshore Construction EPC Agreement; (iii) the Preliminary Development and Technical Consultancy Agreement; and (iv) the Construction Engineering Survey Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Institute” or “Contractor”	Shandong Institute Power Engineering Consulting Institute Corp., Ltd.* (山東電力工程諮詢院有限公司), a company incorporated in the PRC with limited liability and an indirect subsidiary of SPIC
“Share(s)”	the share(s) of the Company
“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)

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## DEFINITIONS

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“SPIC Finance HK”	SPIC International Finance (Hong Kong) Company Limited (國家電投香港財資管理有限公司), a company incorporated in the 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
“subsidiaries”	has the meaning given to it by the Listing Rules
“Transactions”	the transactions contemplated under the Project Agreements

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

*This circular contains translation between Renminbi and Hong Kong dollars at RMB0.84 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.*

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**LETTER FROM THE BOARD**

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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)**

*Chairman of the Board, Executive Director and President:*

HE Xi

*Non-executive Directors:*

WANG Xianchun

ZHOU Jie

*Registered Office:*

Suite 6301, 63/F

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

*Independent Non-executive Directors:*

KWONG Che Keung, Gordon

LI Fang

YAU Ka Chi

13 May 2021

*To the shareholders of the Company*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**EPC Contracting Agreements,  
Preliminary Development and Technical Consultancy Agreement and  
Construction Engineering Survey Agreement**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 13 April 2021 in relation to the Project Agreements and the Transactions. On 13 April 2021, Haiyang Wind Power (a subsidiary of the Company) entered into two EPC Contracting Agreements with Shandong Institute, pursuant to which Shandong Institute has agreed to provide engineering, procurement and construction services to Haiyang Wind Power for the Project. The aggregate maximum consideration payable under the EPC Contracting Agreements is RMB3,396,342,130 (equivalent to approximately HK\$4,043,264,000).

On the same date, Haiyang Wind Power and Shandong Institute also entered into the following agreements: (i) the Preliminary Development and Technical Consultancy Agreement, pursuant to which Shandong Institute has agreed to provide technical consultancy services in respect of the preliminary development of the Project, for a consideration of RMB49,900,000

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## LETTER FROM THE BOARD

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(equivalent to approximately HK\$59,405,000); and (ii) the Construction Engineering Survey Agreement, pursuant to which Shandong Institute has agreed to provide engineering surveying services for the Project, for a consideration of RMB26,620,000 (equivalent to approximately HK\$31,690,000).

The purpose of this circular is to provide you with, among other things, (a) details of the Project Agreements and the Transactions, (b) a letter from the Independent Board Committee and a letter from Gram Capital, both advising on the terms of Project Agreements and the Transactions, and (c) a notice convening the General Meeting to consider and, if thought fit, approve, among other things, the Project Agreements and the Transactions.

### 2. BACKGROUND

With the release of “The Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-term Goals for 2035 of the PRC (《中國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)”, the development of non-fossil energy in building a modern energy system was laid down more specifically. Under the national goals of “Carbon Peak” and “Carbon Neutrality”, all provinces are accelerating their pace of renewable energy development for the purpose. Among them, the national plan clarifies to strengthen the development in Shandong Peninsula, implement high-quality green development strategy, and thus ascertain the local development prospect of the wind power industry.

Haiyang Wind Power, a subsidiary of the Company located in Shandong Province, seized the opportunity to develop the first offshore wind power demonstration project, namely “Shandong Peninsula South No. 3 Offshore Wind Power Project” with a total planned installed capacity of 500MW in the province which is also the first offshore wind power project of the Company. The first phase of the project will comprise construction of 58 sets of 5.2MW offshore wind turbines of an installed capacity of 300MW for a total investment amount of RMB5.59 billion (the “**Project**”) which is expected to generate electricity of approximately 1 billion kWh per year.

On 13 April 2021, Haiyang Wind Power entered into two EPC Contracting Agreements, the Preliminary Development and Technical Consultancy Agreement, and the Construction Engineering Survey Agreement with Shandong Institute in relation to the development and construction of the Project. Set out below are the principal terms of the Project Agreements.

### 3. THE PROJECT AGREEMENTS

#### (a) Onshore Construction EPC Agreement

##### Date

13 April 2021



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## LETTER FROM THE BOARD

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### Parties

- (i) Haiyang Wind Power (as the Employer); and
- (ii) Shandong Institute (as the Contractor).

### *Services to be provided by the Contractor*

The Contractor has agreed to act as the main contractor and provide designing, procurement, construction and installation, and technical support services for the onshore constructions (including but not limited to the onshore control centre) of the Project. Such services include surveying, designing (including preliminary design, construction drawing design, production of completion drawing), equipment and material procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, completion certification (including conducting trial runs, flaws elimination, assurance acceptance assessment of the whole system's performance), training, performance quality assurance and follow-up services covering the quality warranty period of the entire onshore construction of the Project.

### *Consideration*

The total maximum contracting fee under the Onshore Construction EPC Agreement payable by the Employer is RMB115,183,428 (inclusive of all taxes), comprising (i) the fixed fee of RMB46,680,846 (the “**Onshore Construction Fixed Fee**”), (ii) the equipment procurement fee of RMB37,002,581, and (iii) the estimated fees of RMB31,500,000 for the relevant professional services, materials and facilities engineering that are necessary in the course of construction. The equipment procurement fee and the estimated fees are subject to adjustments based on the actual costs incurred, but will not exceed the above amounts specified.

The Onshore Construction Fixed Fee consists of the following components with reference to the various types of services to be provided by the Contractor in relation to the onshore constructions of the Project.

<b>Fees</b>	<b>Amount<sup>#</sup></b> (RMB'000) (inclusive of all taxes)
Design fee	3,911
Construction fee	28,846
Installation fee	6,154
Other fees	<u>7,770</u>
 Total	 <u><u>46,681</u></u>

<sup>#</sup> the amounts are rounded up to the nearest RMB1,000

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## LETTER FROM THE BOARD

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### *Payment terms*

The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the total contracting fee within 1 month after the Onshore Construction EPC Agreement becoming effective and the Employer having received and verified from the Contractor an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the total contracting fee.

The remaining 90% of the total contracting fee is payable by instalments according to their respective payment terms as specified below.

#### Onshore Construction Fixed Fee:

- *Design fee:* 20% is payable within 30 days after the design of the preliminary drawing documents have been confirmed; 65% (in which 10% is regarded as being satisfied and set-off by the prepayment for 10% of the design fee) is payable within 30 days after the construction drawing documents have been confirmed; 10% is payable within 30 days after completion of the audit for project completion settlement; the remaining 5% will be a warranty for quality assurance, and is payable within 30 days of one year after the delivery of the Project.
- *Construction and installation fee:* up to 97% (in which 10% is regarded as being satisfied and set-off by the prepayment for 10% of the construction and installation fee) is payable in accordance with six scheduled milestone stages of the construction and installation; 3% is payable within 30 days after the completion of the defects liability period in accordance with the terms of the agreement.
- *Other fees:* 50% is payable within 30 days after receipt of the invoice for the relevant fees (subject to any applicable deductions); 45% (in which 10% is regarded as being satisfied and set-off by the prepayment for 10% of the other fees) is payable within 30 days after the overall completion and acceptance of the Project; the remaining 5% will be a warranty for quality assurance, and is payable (subject to any applicable deductions) within 30 days of one year after the delivery of the Project.

Equipment procurement fee: with respect to each batch of equipment, (i) 20% is payable as material fees within 30 days after verification of the required documents for the procurement of the relevant equipment; (ii) 50% is payable within 30 days after verification of the delivery invoices and quality inspection certificates of the relevant equipment; (iii) 10% is payable within 30 days after the equipment has passed the trial operation; (iv) the remaining 10% will be a warranty for quality assurance, and is payable (subject to any applicable deductions) within 30 days of twelve months after the acceptance of construction completion and the delivery of the Project.

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## LETTER FROM THE BOARD

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Estimated fees: payable in accordance with the actual requirements in various stages of construction.

**(b) Offshore Construction EPC Agreement**

**Date**

13 April 2021

**Parties**

- (i) Haiyang Wind Power (as the Employer); and
- (ii) Shandong Institute (as the Contractor).

*Services to be provided by the Contractor*

The Contractor has agreed to act as the main contractor and provide designing, procurement, construction and installation, and technical support services for the offshore constructions (including but not limited to the power plant) of the Project. Such services include surveying, designing (including preliminary design, construction drawing design, production of completion drawing), equipment and material procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, completion certification (including conducting trial runs, flaws elimination, assurance acceptance assessment of the whole system's performance), training, performance quality assurance and follow-up services covering the quality warranty period of the entire offshore construction of the Project.

*Consideration*

The total maximum contracting fee under the Offshore Construction EPC Agreement payable by the Employer is RMB3,281,158,702 (inclusive of all taxes), comprising (i) the fixed fee of RMB426,009,196 (the “**Offshore Construction Fixed Fee**”) and (ii) the estimated fees of RMB2,855,149,506 for the relevant professional services, materials and facilities engineering that are necessary in the course of construction. The estimated fees are subject to adjustments based on the actual costs incurred, but will not exceed the above amount specified.

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## LETTER FROM THE BOARD

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The Offshore Construction Fixed Fee consists of the following components with reference to the various types of services to be provided by the Contractor in relation to the offshore constructions of the Project.

<b>Fees</b>	<b>Amount<sup>#</sup></b> <i>(RMB'000)</i> (inclusive of all taxes)
Design fee	41,630
Equipment procurement fee	65,474
Construction and installation fee	115,718
Other fees	<u>203,187</u>
 Total	 <u><u>426,009</u></u>

<sup>#</sup> *the amounts are rounded up to the nearest RMB1,000*

### *Payment terms*

The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the total contracting fee within 1 month after the Offshore Construction EPC Agreement becoming effective and the Employer having received and verified from the Contractor an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the total contracting fee.

The remaining 90% of the total contracting fee is payable by instalments according to their respective payment terms as specified below.

#### Offshore Construction Fixed Fee:

- *Design fee:* 20% is payable within 30 days after the design of the preliminary drawing documents have been confirmed; 65% (in which 10% is regarded as being satisfied and set-off by the prepayment for 10% of the design fee) is payable within 30 days after the construction drawing documents have been confirmed; up to 95% is payable within one month after the completion of the audit for project completion settlement; the remaining 5% will be a warranty for quality assurance, and is payable within 30 days after the completion of the audit for project completion settlement and the Employer having received and verified the quality assurance letter issued by the Contractor.
- *Equipment procurement fee:* with respect to each batch of equipment, (i) 30% is payable as material fees within 30 days after verification of the required documents for the procurement of the relevant equipment; (ii) 30% is payable within 30 days after verification of the delivery invoices and quality inspection certificates of the relevant equipment; (iii) 20% is payable within 30 days after all equipment has passed the trial operation;

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## LETTER FROM THE BOARD

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(iv) the remaining 10% will be a warranty for quality assurance, and is payable (subject to any applicable deductions) within 30 days after the completion of the audit for project completion settlement and the Employer having received and verified the quality assurance letter issued by the Contractor.

- *Construction and installation fee and other fees:* up to 90% (the prepayment of which shall be set-off in three stages) is payable in accordance with nine scheduled milestone stages of the construction; 10% is payable (subject to any applicable deductions) within 30 days after the completion of the audit for project completion settlement and the Employer having received and verified the quality assurance letter issued by the Contractor.

Estimated fees: payable in accordance with the actual requirements in various stages of construction.

### *Completion of the Project*

*Completion date:* within 6 months after all wind turbines are put into production.

- (i) By 30 September 2021, the first batch of wind turbines shall be connected to the power grid for power generation.
- (ii) By 30 November 2021, all wind turbines shall be put into production.

*Late completion penalty:* if the Contractor cannot complete the construction according to the completion date specified above or the extended construction period agreed by the project engineers. For every day of delay due to the Contractor's cause, the Contractor shall pay the Employer damages of RMB100,000 per day and up to the maximum amount of RMB50 million (including the total amount of increase in fees caused by factors such as inflation prices).

### **(c) Preliminary Development and Technical Consultancy Agreement**

#### **Date**

13 April 2021

#### **Parties**

- (i) Haiyang Wind Power (as the Employer); and
- (ii) Shandong Institute (as the Contractor).

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## LETTER FROM THE BOARD

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### *Services to be provided by the Contractor*

The Contractor has agreed to provide technical consultancy services in respect of the preliminary development of the Project. Such services include preparing project feasibility reports and other submissions to government authorities, liaising with the authorities with a view to obtaining the relevant supportive policies or approvals, and conducting wind measurements which include procuring and installing the relevant equipment and constructing wind measurement facilities.

### *Consideration*

The total contracting fee under the Preliminary Development and Technical Consultancy Agreement payable by the Employer is RMB49,900,000 (inclusive of all taxes) and consists of the following components.

<b>Fees</b>	<b>Amount</b> <i>(RMB'000)</i> (inclusive of all taxes)
Project pre-approval technical consultancy fee	28,100
Project preparation technical consultancy fee	16,200
Wind measurement fee	<u>5,600</u>
Total	<u><u>49,900</u></u>

### *Payment terms*

The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the total contracting fee within 40 days after receipt of a payment application from the Contractor, provided that (i) the Preliminary Development and Technical Consultancy Agreement having become effective; and (ii) the Employer having received and verified from the Contractor, within 10 days after execution of the agreement, an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the total contracting fee. The remaining 90% of the total contracting fee is payable by instalments according to the respective stages of work having completed, delivered and verified by the Employer.

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## LETTER FROM THE BOARD

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### (d) Construction Engineering Survey Agreement

#### Date

13 April 2021

#### Parties

- (i) Haiyang Wind Power (as the Employer); and
- (ii) Shandong Institute (as the Contractor).

#### *Services to be provided by the Contractor*

The Contractor has agreed to provide engineering surveying services in respect of the offshore areas of the Project, including geological surveying, topographic surveying and mapping, and route surveying.

#### *Consideration*

The total contracting fee under the Construction Engineering Survey Agreement payable by the Employer is RMB26,620,000 (inclusive of all taxes) and consists of the following components.

<b>Fees</b>	<b>Amount</b> <i>(RMB'000)</i> (inclusive of all taxes)
Surveying fee	25,289
Quality assurance fee	<u>1,331</u>
Total	<u><u>26,620</u></u>

#### *Payment terms*

*Surveying fee:* The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the surveying fee within 20 days after the Construction Engineering Survey Agreement becoming effective and the Employer having received from the Contractor an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the surveying fee. The remaining 90% of the surveying fee is payable by instalments according to the respective stages of work having completed, delivered and verified by the Employer.

*Quality assurance fee:* (i) 80% is payable within 30 days after the last wind turbine has been constructed; (ii) 20% is payable within 30 days after the last wind turbine has passed the trial operation for 1 year provided that there has been no

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## LETTER FROM THE BOARD

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major error in the geological surveys and engineering surveys on the part of the Contractor that causes the Project's failure to reach its designed efficiency for one consecutive year.

#### 4. EFFECTIVENESS OF THE PROJECT AGREEMENTS

All the Project Agreements will be effective after execution and after the Company has obtained the approval at its shareholders meeting (if required) under the applicable Listing Rules.

#### 5. BASIS OF CONSIDERATION FOR THE PROJECT AGREEMENTS

The Group awarded the Project Agreements to the Contractor following a stringent competitive tendering process. The tender announcements for the required project works were published on the China Procurement and Bidding Network\* (中國採購與招標網) at [www.chinabidding.com.cn](http://www.chinabidding.com.cn), the State's authorized media for public tenders, in accordance with the prevailing laws and regulations on implementation of public bidding in the PRC.

For assessing each of the bidding proposals submitted by the bidders, Haiyang Wind Power has formed its own internal bidding assessment panels. The members of the panels are the senior management staff of Haiyang Wind Power, all of whom are qualified professional engineers in the PRC. For each of the four categories of services required under the Project for tender (i.e. the onshore construction EPC, the offshore construction EPC, the preliminary development and technical consultancy services, and the construction engineering survey services), the bidding proposals were assessed in terms of their business and technical aspects. The selection criteria for the business aspects included the bidders' background, experience and credibility, and the quotation price for the required services; while the technical aspects included the design, construction, quality control and assurance, and the qualification of the professional team to be engaged for the job, etc.

A final comprehensive evaluation report (綜合評標報告) was issued by the panels for each of the services offered for tender, of which three bidders were shortlisted for each of the services and their proposals were fully evaluated. The bidding proposals submitted by Shandong Institute scored the highest among those provided by the other two bidders for each of the four categories of services.

In addition to that, the Company also appointed an Independent Consultant, who holds a Grade-A certificate of construction pricing consultant qualification (工程造價諮詢單位甲級資質證書) in the PRC, to issue an independent engineering cost feasibility consulting report (工程造價可行性諮詢報告) and has confirmed that the considerations and the terms of the EPC Contracting Agreements are in line with the prevailing market for offshore wind power industry, practicable, fair and reasonable.

The consideration payable for each of the Project Agreements is compatible to the prevailing rates or is at better terms than those charged by other contractors or project companies for comparable jobs in the market as supported by the abovementioned comprehensive evaluation reports and the Independent Consultant's opinion. The Directors (excluding the independent non-executive Directors whose view will be given after taking into



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## LETTER FROM THE BOARD

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account the advice from the Independent Financial Adviser) are of the view that the consideration and the terms of the Project Agreements are no less favourable to the Group than those available from independent third parties.

### 6. FINANCIAL IMPACT TO THE GROUP

The total investment amount of the Project is RMB5.59 billion, 20% of which will be mainly financed by the Group's internal resources as capital injection to Haiyang Wind Power and 80% of which will be financed by external borrowings through project financing. It is estimated that around 85% of the total investment amount (i.e. RMB4.75 billion) will have completed financing in 2021. At the Group's level, based on the audited consolidated financial information as at 31 December 2020 prepared under the HKFRS presented in the annual report of the Company, it is estimated that the Project will increase the asset-liability ratio of the Group by approximately 0.87%.

The Project's total investment amount of RMB5.59 billion comprises of (i) the aggregated consideration payable under the Project Agreements of RMB3,472,862,130; (ii) procurement of equipment for wind turbines and a booster station in the wind farm from various independent third parties for approximately RMB2.0 billion; and (iii) land-use and sea area use rights' fees payable to the local government, the estimated interest and other expenses to be capitalized for approximately RMB120 million during the construction period.

At present, the Group has already obtained over RMB6.0 billion of financing credits from sizeable banks in the PRC designated for development of the Project. The Company believes that it has sufficient financial sources to satisfy the funding needs of the Project.

### 7. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The development of the Project is in line with the strategy of accelerating the development of renewable energy and national industrial policies under "The Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-term Goals for 2035 of the PRC (《中國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)". At the same time, offshore wind power development is one of the frontier directions for technological upgrading of global wind power industry. It is of great significance for alleviating energy and environmental pressure, and promoting the efficient use of clean energy.

Shandong Province is one of the eastbound coastal provinces that have developed economies, high power loads, strong energy consumption, high annual wind power utilization hours, and abundant offshore wind energy resources, and offshore wind power will be an important part of the energy structure of the coastal areas. The Project plays an important role in promoting the Company's clean energy development in Shandong Province and will assist the Group to obtain further rights to develop a large-scale offshore wind power base in the Shandong Peninsula, and thus is of strategic significance to the business development of the Group in the coming future.

The Project is currently the only offshore wind power project in Shandong Province that has obtained all the necessary government authorities' approvals and permits (including but not limited to Construction Land Planning Permit, Construction Project Planning Permit,

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## LETTER FROM THE BOARD

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Construction Project Construction Permit, Approval of Environmental Impact Report, Approval Opinions of Municipal Ecological Environment Department, Approval of Sea Area Use Right, Sea Area Real Property Certificate, etc.) to commence construction work and has gained full support from the local government. Upon completion of the Project, it will bring economic benefits in terms of additional revenue and income to the Group as well as increasing its market competitiveness.

The Directors recognize that Shandong Institute is among the leading electric power engineering companies in the PRC, it possesses the relevant experience and expertise in the provision of relevant engineering consulting and technical services for large-scale power plants and ancillary facilities construction projects at home and abroad. More importantly, the Project Agreements are essential to ensure the successful completion of the Project.

The Directors (excluding the independent non-executive Directors whose view will be given after taking into account the advice from the Independent Financial Adviser) are of the view that (i) the Project Agreements and the Transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and (ii) their terms are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

None of the Directors has material interest in the Transactions and therefore no Director has abstained from voting on the Board resolution approving the same.

### **8. INFORMATION ON THE GROUP AND THE EMPLOYER**

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) is one of the five major electricity generation groups and is the only one 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 coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

Haiyang Wind Power is a wholly-owned subsidiary of SPIC Shandong Energy Development Co., Ltd.\* 國家電投集團山東能源發展有限公司 (a wholly-owned subsidiary of the Company) established in 2020. It is principally engaged in generation and sales of electricity, seawater desalination treatment, aquaculture and any other business projects and activities with approved license or permits.

### **9. INFORMATION ON THE CONTRACTOR**

Shandong Institute is an indirect subsidiary ultimately owned and controlled by SPIC (i.e. the ultimate controlling shareholder of the Company that principally engaged in investment holding, electricity generation and sales, and provision of various energy related services,

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## LETTER FROM THE BOARD

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including but not limited to EPC contracting, project planning, survey, design and consulting, trading and manufacturing of materials and equipment required by power plants and their related operational management, research and development in the PRC and overseas countries).

Shandong Institute was established in 1958 which is principally engaged in providing electric power planning, engineering survey, design and consulting, and project construction services. It possesses comprehensive Grade A qualification certificates in engineering design, engineering survey and engineering consulting. It is a national high-tech enterprise and the chair unit of Shandong Electric Power Survey and Design Association.

Shandong Institute has 11 domestic and foreign branches, with business covering 33 provinces (autonomous regions and municipalities) in the PRC and more than 40 countries and regions. At present, it has 14 professional employees who are recognized national, industrial and provincial survey and design masters, and more than 610 registered professionals at different divisional and national levels.

Shandong Institute has been ranked as one of the forefront companies among the “National Survey and Design Comprehensive Strength 100 Institutes” of the Chinese power industry for the past many years. It has been among the top 60 American ENR • China engineering design companies for four consecutive years, and has been among the top 80 Chinese contractors for three consecutive years.

### **10. LISTING RULES IMPLICATIONS**

SPIC is the ultimate controlling shareholder of the Company which is interested in approximately 60.04% of the issued share capital of the Company as at the Latest Practicable Date. Shandong Institute, being an indirect subsidiary ultimately owned and controlled by SPIC, is a connected person of the Company as defined in the Listing Rules. Accordingly, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the total maximum consideration payable (RMB3,472,862,130, equivalent to approximately HK\$4,134,360,000) for the Project Agreements aggregated under the applicable Listing Rules exceed 5% but are all less than 25%, the Transactions constitute (i) a discloseable transaction of the Company subject to the announcement requirement under Chapter 14 of the Listing Rules, and (ii) connected transactions of the Company subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **11. GENERAL MEETING AND PROXY ARRANGEMENT**

A General Meeting will be convened to seek the Independent Shareholders’ approval regarding the Project Agreements and the Transactions. CPDL, CPI Holding and SPIC Finance HK, being shareholders of the Company and associates of SPIC, will abstain from voting at the General Meeting. Any vote of the Independent Shareholders at the General Meeting will be taken by poll.

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## LETTER FROM THE BOARD

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The notice for convening the General Meeting to be held at Meeting Room S421 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 3 June 2021 at 11:00 a.m. is set out on pages 54 to 57 of this circular.

A proxy form for use at the General Meeting is enclosed with this circular. Whether or not you are able to attend the General Meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, (i) to its physical address at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or (ii) **electronically via our email address at [eproxy@chinapower.hk](mailto:eproxy@chinapower.hk)** and in any event not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof if you so wish and, in such event, the relevant proxy form shall be deemed to be revoked.

**In light of the continuing risks posed by the COVID-19 pandemic and the HKSAR Government's current social distancing laws and regulations for shareholders' meetings of listed companies, Independent Shareholders are strongly encouraged NOT to attend the General Meeting in person and are advised to appoint the chairman of the General Meeting as their proxy to vote according to their indicated voting instructions as an alternative to attending the General Meeting in person.**

*Independent Shareholders are reminded to read carefully the notice of the General Meeting and its accompanying notes for the arrangement details on exercising their voting rights, and the precautionary measures to be taken if attending the General Meeting in person, as set out at the end of this circular.*

### **12. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

In accordance with the Listing Rules, an Independent Board Committee has been formed to advise and provide recommendation to the Independent Shareholders on the terms of the Project Agreements and the Transactions and to advise the Independent Shareholders on how to vote.

Gram Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **13. RECOMMENDATION**

The Directors (including the independent non-executive Directors whose view are expressed in the letter from the Independent Board Committee) are of the view that (i) the Project Agreements and the Transactions have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and (ii) their terms are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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## LETTER FROM THE BOARD

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Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution with respect to the Project Agreements and the Transactions to be proposed at the General Meeting.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 20 to 21 of this circular and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 22 to 48 of this circular, and the information set out in the appendix of this circular.

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)**

13 May 2021

*To the Independent Shareholders*

Dear Sir and Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**EPC Contracting Agreements,  
Preliminary Development and Technical Consultancy Agreement and  
Construction Engineering Survey Agreement**

We refer to the circular dated 13 May 2021 (the “**Circular**”) issued by the Company to its shareholders, of which this letter forms part. Unless the context otherwise requires, capitalized 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 consider the terms of the Project Agreements and the Transactions and to advise the Independent Shareholders as to whether, in our opinion, the Project Agreements and the Transactions are in the ordinary and usual course of business, on normal commercial terms or better, in the interests of the Company and its shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. For such purpose, 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 5 to 19 of the Circular which contains, among others, information in connection with the terms and reasons for the Project Agreements, as well as the letter from Gram Capital set out on pages 22 to 48 of the Circular which contains its advice and recommendation in the same respect.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Project Agreements and the basis upon which its terms have been determined. We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the terms of the Project Agreements and the Transactions.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Having taken into account, among other things, the advice of the Independent Financial Adviser, we consider that the Project Agreements and the Transactions have been entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group. The terms of the Project Agreements are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the General Meeting at the end of the Circular.

Yours faithfully,  
For and on behalf of the  
*Independent Board Committee*  
**China Power International Development Limited**

**KWONG Che Keung, Gordon**  
**LI Fang**  
**YAU Ka Chi**

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## LETTER FROM GRAM CAPITAL

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*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 Transactions 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

13 May 2021

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

Dear Sir/Madam,

### DISCLOSEABLE AND CONNECTED TRANSACTIONS

#### 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 Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 May 2021 (the “**Circular**”) issued by the Company to its shareholders (the “**Shareholders**”), 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 13 April 2021, Haiyang Wind Power (a subsidiary of the Company) entered into two EPC Contracting Agreements with Shandong Institute, pursuant to which Shandong Institute has agreed to provide engineering, procurement and construction services to Haiyang Wind Power for the Project. The aggregate maximum consideration payable under the EPC Contracting Agreements is RMB3,396,342,130 (equivalent to approximately HK\$4,043,264,000).

On the same date, Haiyang Wind Power and Shandong Institute also entered into the following agreements: (i) the Preliminary Development and Technical Consultancy Agreement, pursuant to which Shandong Institute has agreed to provide technical consultancy services in respect of the preliminary development of the Project, for a consideration of RMB49,900,000 (equivalent to approximately HK\$59,405,000); and (ii) the Construction Engineering Survey Agreement, pursuant to which Shandong Institute has agreed to provide engineering surveying services for the Project, for a consideration of RMB26,620,000 (equivalent to approximately HK\$31,690,000).



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## LETTER FROM GRAM CAPITAL

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The aggregate maximum consideration payable under the two EPC Contracting Agreements, the Preliminary Development and Technical Consultancy Agreement, and the Construction Engineering Survey Agreement amounted to RMB3,472,862,130.

With reference to the Board Letter, the Transactions constitute discloseable and connected transactions of the Company, and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions 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 the independent financial adviser in respect of (i) discloseable and continuing connected transactions (details of which are set out in the Company's circular dated 17 May 2019); and (ii) the reasonableness of interest rate of a loan (unsecured and unguaranteed) granted by a connected person (the letter was issued by Gram Capital in October 2020).

Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

Besides, apart from the advisory fee and expenses payable to us in connection with our aforesaid engagements and this engagement as the Independent Financial Adviser, there was no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

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

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## LETTER FROM GRAM CAPITAL

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### 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 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 are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. 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.

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 any statement therein or the Circular 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, Shandong Institute or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. 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 while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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## LETTER FROM GRAM CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Background of and reasons for the Transactions

##### *Information on the Group*

With reference to the Board Letter, the Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) is the only one 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 coal-fired power, hydropower, wind power and photovoltaic power plants. 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 2019 and 2020 as extracted from the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”):

	<b>For the year ended 31 December 2020 RMB'000</b>	<b>For the year ended 31 December 2019 RMB'000</b>	<b>Change from 2019 to 2020 %</b>
Revenue	28,427,721	27,763,287	2.39
— Coal-fired electricity	17,708,430	18,406,560	(3.79)
— Hydropower electricity	5,972,434	5,686,118	5.04
— Wind power electricity	2,013,996	1,595,328	26.24
— Photovoltaic power electricity	2,732,861	2,075,281	31.69
Profit attributable to equity holders of the Company	1,708,305	1,284,381	33.01
	<b>As at 31 December 2020 RMB'000</b>	<b>As at 31 December 2019 RMB'000</b>	<b>Change from 2019 to 2020 %</b>
Total assets	155,948,671	140,289,698	11.16
Total liabilities	110,158,754	95,156,489	15.77
Total equity	45,789,917	45,133,209	1.46

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## LETTER FROM GRAM CAPITAL

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As illustrated in the above table, the Group recorded a slight increase in revenue of approximately 2.39% for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019. The Group recorded a substantial increase of approximately 33.01% in profit attributable to equity holders of the Company for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019. With reference to the 2020 Annual Report, the increase in revenue and profit were mainly attributable to (i) the significant increase in profit from hydropower segment, (ii) the revenue and profits contributed by the new clean energy project companies of wind and photovoltaic power generation, and (iii) the decrease in unit fuel cost of coal-fired power during 2020.

As at 31 December 2020, the attributable installed capacity of the Group's power plants reached 23,878.2MW, representing a year-on-year increase of 2,765.0MW. Among which, the attributable installed capacity of clean energy including hydropower, wind power, photovoltaic power and natural gas power was 9,393.6MW in total, accounting for approximately 39.34% of the total attributable installed capacity and representing an increase of 3.77 percentage points as compared with the previous year.

As at 31 December 2020, the Group recorded total assets of approximately RMB155.95 billion and total liabilities of approximately RMB110.16 billion. The Group's net assets per share (excluding non-controlling interests and other equity instruments) was approximately RMB3.10.

As at 31 December 2020, the cash and cash equivalents of the Group were approximately RMB1.32 billion. Current assets amounted to approximately RMB14.12 billion, current liabilities of approximately RMB40.56 billion and current ratio was 0.35 (31 December 2019: 0.26).

As at 31 December 2020, the Group's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), was approximately 67% (31 December 2019: approximately 64%) (Note: those classified as part of the disposal groups classified as held for sale were considered when calculating the gearing ratio). The Group's gearing ratio remained stable.

As at 31 December 2020, the Group had sufficient available undrawn financing facilities amounting to approximately RMB51.89 billion to safeguard against funding risks.

### *Information on Shandong Institute*

With reference to the Board Letter, Shandong Institute is an indirect subsidiary ultimately owned and controlled by SPIC, established in 1958 which is principally engaged in providing electric power planning, engineering survey, design and consulting, and project construction services. It possesses comprehensive Grade A qualification certificates in engineering design, engineering survey and engineering consulting. It is a national high-tech enterprise and the chair unit of Shandong Electric Power Survey and Design Association.

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## LETTER FROM GRAM CAPITAL

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The business of Shandong Institute has 11 domestic and foreign branches, covering 33 provinces (autonomous regions and municipalities) in the PRC and more than 40 countries and regions. At present, it has 14 professional employees who are recognized national, industrial and provincial survey and design masters, and more than 610 registered professionals at different divisional and national levels.

Shandong Institute has been ranked as one of the forefront companies among the “National Survey and Design Comprehensive Strength 100 Institutes” of the Chinese power industry for the past many years. It has been among the top 60 American ENR • China engineering design companies for four consecutive years, and has been among the top 80 Chinese contractors for three consecutive years.

Shandong Institute previously provided surveying and designing services for an offshore wind power project with installed capacity of 300MW. The services included surveying and designing the wind farms of the project (including but not limited to preliminary design, tender design, construction drawing design). Upon our request, the Company provided us a list of the Shandong Institute’s project management team in respect of the transactions contemplated under the Project Agreements and a brief description (including qualification and working experience) of senior-level staffs. We also obtained personnel assignment notices. According to the personnel assignment notices issued by Shandong Institute:

Shandong Institute formally assigned four staffs as the most senior-level management (i.e. project manager, project executive manager, deputy project manager and project chief engineer) for the offshore wind power general contracting work.

The project manager (who holds position of 總經理助理 (Assistant to General Manager\*) in Shandong Institute) is a professoriate senior engineer (教授級高級工程師) and previously participated in four offshore wind power and related projects, including the participation as project director for the design, survey and trial pile (試樁) of an offshore wind power project with installed capacity of 300MW; and the participation as project director for feasibility study of an offshore wind power project with installed capacity of 600MW.

The project executive manager (who holds position of 市場開發部主任 (Director of Marketing Development Department\*) in Shandong Institute) is a senior engineer (高級工程師) and previously participated in four offshore wind power and related projects, including the participation as general coordinator for the design and survey of an offshore wind power project with installed capacity of 300MW; the participation as general coordinator for feasibility study of an offshore wind power project with installed capacity of 600MW; the participation as executive managers for preliminary general contracting (前期總包工程) of two offshore wind power projects.

The deputy project manager (who holds position of 安全質量部主任 (Director of Safety and Quality Department\*) in Shandong Institute) is a senior engineer (高級工程師) and previously participated in five offshore wind power and related projects as deputy project managers. Four of the aforesaid five projects were preliminary general contracting (前期總包工程) of offshore wind power projects.

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## LETTER FROM GRAM CAPITAL

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The project chief engineer (who holds position of 核能與海上風電事業部總工程師 (Chief Engineer of Nuclear and Offshore Wind Power Business Development\*) in Shandong Institute) is a senior engineer (高級工程師) and previously participated in five offshore wind power and related projects as project chief engineers or project design chief engineers, including the participation as project design chief engineer for the design, survey and trial pile (試樁) of an offshore wind power project with installed capacity of 300MW; the participation as project design chief engineer for feasibility study of an offshore wind power project with installed capacity of 600MW; the participation as project chief engineer for preliminary general contracting (前期總包工程) of two offshore wind power projects.

Furthermore, according to the list, we noted that various engineers/senior engineers were included in the project management team of Shandong Institute. Some of them previously participated in similar offshore wind power related projects (such as feasibility study, wind tower (風塔) projects, preliminary general contracting (前期總包工程), etc.).

Shandong Institute also assigned another staff as deputy project manager for the transactions contemplated under the Project Agreements. We understood that the staff previously participated as manager of quality department for the construction and installation of different parts under certain offshore wind power projects during 2016 to 2020.

In addition, as also advised by the Company, Shandong Institute requested another member of SPIC to assign a staff (who holds the position as 海上風電籌備處主任 (Director of Offshore Power Preparation Office\*) in the member of SPIC) to Shandong Institute as an external expert adviser for the Project. We understood that the external expert adviser previously participated in construction projects (as the employer side) for four offshore wind power projects with installed capacity ranged from 100MW to 400MW during 2016 to 2019 as deputy general manager for such projects.

### *Information on the Project*

With reference to the Board Letter, the Project is the first phase of the project for development and construction of an offshore wind power plant with an installed capacity of 300MW (out of the entire project of a total planned installed capacity of 500MW, namely “Shandong Peninsula South No. 3 Offshore Wind Power Project”) in Shandong Province, the PRC. The Project will comprise construction of 58 sets of 5.2MW offshore wind turbines for a total investment amount of RMB5.59 billion which is expected to generate electricity of approximately 1 billion kWh per year.

The Project is currently the only offshore wind power project in Shandong Province that has obtained all the necessary government authorities’ approvals and permits (including but not limited to Construction Land Planning Permit, Construction Project Planning Permit, Construction Project Construction Permit, Approval of Environmental Impact Report, Approval Opinions of Municipal Ecological Environment Department, Approval of Sea Area Use Right, Sea Area Real Property Certificate, etc.) to commence construction work and has gained full support from the local government.

## **2. Reasons for and benefits of the Transactions**

With reference to the Board Letter, the development of the Project is in line with the strategy of accelerating the development of renewable energy and national industrial policies under “The Fourteenth Five-Year Plan for National Economic and Social Development and the Outline of Long-term Goals for 2035 of the PRC (《中國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)”. At the same time, offshore wind power development is one of the frontier directions for technological upgrading of global wind power industry. It is of great significance for alleviating energy and environmental pressure, and promoting the efficient use of clean energy.

Shandong Province is one of the eastbound coastal provinces that have developed economies, high power loads, strong energy consumption, high annual wind power utilization hours, and abundant offshore wind energy resources, and offshore wind power will be an important part of the energy structure of the coastal areas. The Project plays an important role in promoting the Company’s clean energy development in Shandong Province and will assist the Group to obtain further rights to develop a large-scale offshore wind power base in the Shandong Peninsula, and thus is of strategic significance to the business development of the Group in the coming future.

### *Industry overview*

According to the National Bureau of Statistics, the gross domestic products (“**GDP**”) of the PRC during the last five full years (2016 to 2020) had been moved in an increasing trend and reached approximately RMB101,598.6 billion in 2020, representing a compound annual growth rate (“**CAGR**”) of approximately 8.0% from 2016 to 2020.

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
GDP (RMB Billion)	74,639.5	83,203.6	91,928.1	98,651.5	101,598.6
Growth rate (%)		11.47	10.49	7.31	2.99

*Source: National Bureau of Statistics*

According to the data published by the National Energy Administration (“**NEA**”), the PRC’s electricity consumption reached 7,511 billion kWh, representing a year-on-year increase of 3.1%. The national power supply added 190,870MW of installed capacity in 2020, of which, the newly added hydroelectric power installed capacity was 13,230MW, the newly added wind power installed capacity was 71,670MW and the newly added photovoltaic power generation installed capacity was 48,200MW.

By the end of 2020, the PRC’s installed renewable energy power generation capacity reached 934,000MW, representing a year-on-year increase of approximately 17.5%, among which, the hydroelectric power installed capacity was 370,160MW, the wind power installed capacity was 281,530MW, and the photovoltaic power generation installed capacity was 253,430MW.

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## LETTER FROM GRAM CAPITAL

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During 2020, the supply of the PRC's renewable energy continued to grow and reached 2,214.8 billion kWh, representing a year-on-year increase of approximately 8.4%, of which the supply of wind-power energy was 466.5 billion kWh, representing a year-on-year increase of approximately 15%. Meanwhile, the PRC's renewable energy consumption continued to grow. During 2020, the national wind power curtailment amounted to approximately 16.6 billion kWh, with the average utilization rate of 97%, representing a year-on-year increase of 1 percentage point.

In 2020, the national total electricity consumption in China rose by 3.1% year-on-year and the national power generation recorded a year-on-year increase of 4.0%, among which, hydropower, wind power, photovoltaic power and coal-fired power grew by 4.1%, 15.1%, 16.6% and 2.5% respectively.

During 2020, the PRC's government had introduced various industry policies to support the development of new energy industry, for instance:

- In January 2020, the Ministry of Finance, China's National Development and Reform Commission ("NDRC") and NEA issued 《關於促進非水可再生能源發電健康發展的若干意見》(Several Opinions on Promoting the Healthy Development of Power Generation of Non-Water Renewable Energy\*, the "Opinion"). According to the Opinion, among other things, (i) the newly added offshore wind power and solar thermal power projects will no longer be included in the scope of the State fiscal subsidies; and (ii) the existing offshore wind power and solar thermal power projects which were approved (filed) as required and connected to the grid before 31 December 2021, will be included in the scope of State fiscal subsidies.
- In March 2020, the NDRC and the NEA issued 《關於2020年風電、光伏發電項目建設有關事項的通知》(The Notice on Matters Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020\*). According to the notice, the construction of grid parity projects should be actively promoted, the construction of projects requiring State fiscal subsidies should be orderly promoted, the construction of distributed wind power projects should be actively supported, the construction of offshore wind power projects should be steadily promoted, the power supply and consumption conditions should be fully implemented, the project development and construction information should be strictly monitored, and the reform demands of "delegate power; streamline administration; optimize services" should be conscientiously implemented.
- In April 2020, the NEA issued 《中華人民共和國能源法(徵求意見稿)》(The Energy Law of the People's Republic of China (Consultation Paper\*) to include renewable energy as a priority area for energy development, to set national medium and long-term total renewable energy development and utilization targets, and the target for the proportion of renewable energy in primary energy consumption.



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## LETTER FROM GRAM CAPITAL

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- In July 2020, the NDRC and the NEA issued 《關於公佈2020年風電、光伏發電平價上網項目的通知》(the Notice on the Announcement of the 2020 Wind Power and Photovoltaic Power Grid Parity Projects\*), which stated that the installed capacity of the 2020 wind power grid parity projects was 11,396.7MW. The grid connection of wind power and photovoltaic power generation grid parity projects for the first batch of 2019 and that of 2020 should be completed by the end of 2022. The NEA will organize and announce on an annual basis the wind power and photovoltaic power generation grid parity projects that will be connected to the grid within the specified time frame.
- In September 2020, the Ministry of Finance, the NDRC and the NEA issued 《關於促進非水可再生能源發電健康發展的若干意見有關事項的補充通知》(Supplemental Notice on Relevant Matters of Opinions on Healthy Development of the Power Generation of Renewable Energy\*). According to the supplemental notice, the settlement rules of the subsidy funds for tariff premium of renewable energy and relevant policies should be clarified. The reasonable utilization hours of full life cycle of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours respectively. The reasonable utilization hours of full life cycle of offshore wind power projects are 52,000 hours.

The Directors consider that the prospects of the wind power industry to be positive. According to the above, we concur with the Directors' view in this regard.

With reference to the Board Letter, the Directors recognize that Shandong Institute is among the leading electric power engineering companies in the PRC, it possesses the relevant experience and expertise in the provision of relevant engineering consulting and technical services for large-scale power plants and ancillary facilities construction projects at home and abroad. More importantly, the Project Agreements are essential to ensure the successful completion of the Project.

We further understood from the Directors that the Group is not qualified to complete the construction of the Project by itself, therefore the Group is necessary to seek a qualified supplier to provide EPC services. Furthermore, according to 《中華人民共和國招標投標法實施條例》(Tender and Bidding Law of the People's Republic of China\*), save for certain circumstances, a tender procedure is required according to the law if the project in which State-owned funds contribute a controlling or dominant position of the project. As the Company is a State-owned enterprise and owned the Project, as confirmed by the Directors, the tender procedure is required by the law. Shandong Institute was awarded as the service provider on a successful tendering basis.

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## LETTER FROM GRAM CAPITAL

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In addition, we also obtained the Score Documents (as defined below). We noted that Shandong Institute was graded the highest score among all three participants in technical aspects in respect of the onshore and offshore construction EPC, which indicated that Shandong Institute's development and construction plan was better than that of other participants.

According to a 建設可行性評估諮詢報告 (Construction Feasibility Assessment Consultation Report\*, the “**January Report**”) in respect of the assessment on conditions and risk factors of the completion of construction and connection to the grid by 31 December 2021 as issued in January 2021 by 中國電建集團華東勘測設計研究院有限公司 (POWERCHINA Huadong Engineering Corporation Limited\*)<sup>(Note)</sup>, being an independent third party (the “**Independent Consultant**”), the Independent Consultant after taking into consideration of conditions such as policy, material supply, construction conditions, construction equipment, etc., were of the view that (i) the construction plan of the Project is reasonable; (ii) ship machinery resources are the most constraint, it should be confirmed and decided in time; and (iii) funding should be ensured.

As mentioned above, the existing offshore wind power and solar thermal power projects which were approved (filed) as required and having connected to the grid before 31 December 2021, will be included in the scope of State fiscal subsidies. As advised by the Directors, they expected the completion of construction of the Project and the connection to the grid to take place before 31 December 2021. According to the January Report, the Independent Consultant was of the view that as compared to the construction conditions of the offshore wind power project in the same period, the current construction conditions of the Project were relatively completed. Subject to (i) the on-schedule supply of the main equipment, monopile foundation and tower tube, sea booster station, electrical main equipment, high-voltage submarine cable; and (ii) the confirmation of the project construction ship and the ship machine entry lease contract being signed in advance, it is feasible for the Project to complete the full-capacity grid connection before 31 December 2021.

Having considered the following factors:

- (i) the Project plays an important role in promoting the Company's clean energy development in Shandong Province and will assist the Group to obtain further rights to develop a large-scale offshore wind power base in the Shandong Peninsula, and thus is of strategic significance to the business development of the Group in the coming future;
- (ii) Shandong Institute's background (including its relevant qualification and experience); and

*Note:* According to website of the Independent Consultant, the Independent Consultant is one of the globally leading engineering and construction firms. It ranked 8th of Chinese Top 100 Survey & Design Enterprise by Comprehensive Strength (中國勘察設計綜合實力百強單位), 12th of Chinese Top 60 Chinese Design Firms (中國工程設計企業60強), 37th of Chinese Top 80 Chinese Contractors (中國承包商80強). The Independent Consultant is a subsidiary of Power Construction Corporation of China, Ltd.\* (SH601669).

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## LETTER FROM GRAM CAPITAL

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(iii) Shandong Institute was awarded as the service provider on a successful tendering basis,

we are of the view that the Transactions are in the interest of the Company and Shareholders as a whole and conducted in the ordinary and usual course of business of the Group.

### 3. Principal terms of the Project Agreements

The Project Agreements includes (i) the Onshore Construction EPC Agreement; (ii) the Offshore Construction EPC Agreement; (iii) the Preliminary Development and Technical Consultancy Agreement; and (iv) the Construction Engineering Survey Agreement.

Set out below are the key terms of Project Agreements, details of which are set out under the section headed “3. THE PROJECT AGREEMENTS” of the Board Letter.

*Date:*

13 April 2021

*Parties:*

<b>The Onshore Construction EPC Agreement</b>	<b>The Offshore Construction EPC Agreement</b>	<b>The Preliminary Development and Technical Consultancy Agreement</b>	<b>The Construction Engineering Survey Agreement</b>
(i) Haiyang Wind Power (as the Employer); and	(i) Haiyang Wind Power (as the Employer); and	(i) Haiyang Wind Power (as the Employer); and	(i) Haiyang Wind Power (as the Employer); and
(ii) Shandong Institute (as the Contractor).	(ii) Shandong Institute (as the Contractor).	(ii) Shandong Institute (as the Contractor).	(ii) Shandong Institute (as the Contractor).

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## LETTER FROM GRAM CAPITAL

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*Subject matter:*

<b>The Onshore Construction EPC Agreement</b>	<b>The Offshore Construction EPC Agreement</b>	<b>The Preliminary Development and Technical Consultancy Agreement</b>	<b>The Construction Engineering Survey Agreement</b>
<p>The Contractor has agreed to act as the main contractor and provide designing, procurement, construction and installation, and technical support services for the onshore constructions (including but not limited to the onshore control centre) of the Project. Such services include surveying, designing (including preliminary design, construction drawing design, production of completion drawing), equipment and material procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, completion certification (including conducting trial runs, flaws elimination, assurance acceptance assessment of the whole system's performance), training, performance quality assurance and follow-up services covering the quality warranty period of the entire onshore construction of the Project.</p>	<p>The Contractor has agreed to act as the main contractor and provide designing, procurement, construction and installation, and technical support services for the offshore constructions (including but not limited to the power plant) of the Project. Such services include surveying, designing (including preliminary design, construction drawing design, production of completion drawing), equipment and material procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, completion certification (including conducting trial runs, flaws elimination, assurance acceptance assessment of the whole system's performance), training, performance quality assurance and follow-up services covering the quality warranty period of the entire offshore construction of the Project.</p>	<p>The Contractor has agreed to provide technical consultancy services in respect of the preliminary development of the Project. Such services include preparing project feasibility reports and other submissions to government authorities, liaising with the authorities with a view to obtaining the relevant supportive policies or approvals, and conducting wind measurements which include procuring and installing the relevant equipment and constructing wind measurement facilities.</p>	<p>The Contractor has agreed to provide engineering surveying services in respect of the offshore areas of the Project, including geological surveying, topographic surveying and mapping, and route surveying.</p>

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**LETTER FROM GRAM CAPITAL**

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*Considerations:*

<b>The Onshore Construction EPC Agreement</b>	<b>The Offshore Construction EPC Agreement</b>	<b>The Preliminary Development and Technical Consultancy Agreement</b>	<b>The Construction Engineering Survey Agreement</b>
<p>The total maximum contracting fee under the Onshore Construction EPC Agreement payable by the Employer is RMB115,183,428 (inclusive of all taxes), comprising:</p> <p>(i) the fixed fee of RMB46,680,846;</p> <p>(ii) the equipment procurement fee of RMB37,002,581; and</p> <p>(iii) the estimated fees of RMB31,500,000 for the relevant professional services, materials and facilities engineering that are necessary in the course of construction. The equipment procurement fee and the estimated fees are subject to adjustments based on the actual costs incurred, but will not exceed the above amounts specified.</p>	<p>The total maximum contracting fee under the Offshore Construction EPC Agreement payable by the Employer is RMB3,281,158,702 (inclusive of all taxes), comprising:</p> <p>(i) the fixed fee of RMB426,009,196; and</p> <p>(ii) the estimated fees of RMB2,855,149,506 for the relevant professional services, materials and facilities engineering that are necessary in the course of construction. The estimated fees are subject to adjustments based on the actual costs incurred, but will not exceed the above amount specified.</p>	<p>The total contracting fee under the Preliminary Development and Technical Consultancy Agreement payable by the Employer is RMB49,900,000 (inclusive of all taxes), comprising:</p> <p>(i) the project pre-approval technical consultancy fee of RMB28,100,000;</p> <p>(ii) the project preparation technical consultancy fee of RMB16,200,000; and</p> <p>(iii) the wind measurement fee of RMB5,600,000.</p>	<p>The total contracting fee under the Construction Engineering Survey Agreement payable by the Employer is RMB26,620,000 (inclusive of all taxes), comprising:</p> <p>(i) the surveying fee of RMB25,289,000; and</p> <p>(ii) the quality assurance fee of RMB1,331,000.</p>

With reference to the Board Letter, the Group awarded the Project Agreements to the Contractor following a stringent competitive tendering process. The tender announcements for the required project works were published on the China Procurement and Bidding Network\* (中國採購與招標網) at [www.chinabidding.com.cn](http://www.chinabidding.com.cn), the State's authorized media for public tenders, in accordance with the prevailing laws and regulations on implementation of public bidding in the PRC. Further details of the bases are set out under the section headed "BASIS OF CONSIDERATION FOR THE PROJECT AGREEMENTS" of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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To assess the fairness and reasonableness of the considerations, we perform the following analyses:

- We discussed with staff of Haiyang Wind Power and noted that Haiyang Wind Power had estimated the possible cost (the “**Estimated Costs**”) of the transactions contemplated under the Project Agreements based on, among other things, 《海上風電場工程設計概算編製規定及費用標準》(Preparation Regulations for Cost Estimation of Offshore Wind Power Projects), 《海上風電場工程概算定額》(Quota for Estimation of Offshore Wind Power Projects), 《陸上風電場工程設計概算編製規定及費用標準》(Preparation Regulation for Cost Estimation of Onshore Wind Power Projects) and 《陸上風電場工程概算定額》(Ration of Cost Estimation for Onshore Wind Power Projects).

There is no material difference between the total maximum considerations of the Project Agreements of RMB3,472,862,130 and the Estimated Costs of RMB3,640,000,000.

Details of the considerations of the Project Agreements and the Estimated Costs are as follows:

	<b>Actual (maximum) consideration pursuant to the Project Agreements RMB'million</b>	<b>The Estimated Costs RMB'million</b>
Onshore Construction EPC Agreement	115.183	150.000
Offshore Construction EPC Agreement	3,281.159	3,400.000
Preliminary Development and Technical Consultancy Agreement	49.900	60.000
Construction Engineering Survey Agreement	26.620	30.000
<b>Total</b>	<b>3,472.862</b>	<b>3,640.000</b>

- We obtained tender documents for the transactions contemplated under the Project Agreements (the “**Project Tender Document(s)**”) and reviewed bidding documents (the “**Bidding Document(s)**”) as submitted by all the tenderers. There were three participants (including Shandong Institute) in each of the four parts of the transactions contemplated under the Project Agreements tendering (Note: (A) as (i) Shandong Institute participated in each of the four parts of the transactions contemplated under the Project Agreements; and (ii) each of the Participant B and Participant C participated in two of the four parts of the transactions contemplated under the Project Agreements, accordingly there were seven participants in total; and (B) Participant C is the Independent Consultant as defined above). Brief information of all participants are set out in Appendix to this letter.

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## LETTER FROM GRAM CAPITAL

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The Bidding Documents of each of the four parts of the transactions contemplated under the Project Agreements comprised two aspects, i.e. the business aspects and technical aspects for each of the four parts of the transactions contemplated under the Project Agreements (i.e. the onshore construction EPC, the offshore construction EPC, the preliminary development and technical consultancy services, and the construction engineering survey services).

According to the Bidding Documents, business aspects of the Bidding Documents contain the participants' background information (such as qualification and experience) and quotations; and technical aspects of the Bidding Documents contain the participants' proposed working plans and technical proposals.

Six bid evaluation panels (the "**Panel(s)**") in total were established to evaluate the business aspects and technical aspects (Note: (i) business aspects of onshore and offshore construction were evaluated by one of the Panels; and (ii) technical aspects of onshore and offshore construction were evaluated by another one of the Panels).

To assess the experience of the Panels, we obtained brief description of all members of the Panels upon our request. According to the aforesaid information, we noted that most of the members of the Panels (i) are engineers or senior engineers; (ii) have working experience in onshore and/or offshore wind power industry; and (iii) participated as members of bid evaluation panels for the evaluation of bidding documents of other onshore and/or offshore wind power projects.

Brief information of the Panels are set out in Appendix to this letter.

### *Business aspects*

The Panels evaluated participants' background, experience, quotations. According to documents (showing scores of each business aspects under the Bidding Documents), bidding prices offered by Shandong Institute were lower than bidding prices offered by other independent third parties.

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## LETTER FROM GRAM CAPITAL

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### *Technical aspects*

The Panels evaluated the technical aspects under the Bidding Documents in different aspects, including but not limited to, design proposal, construction proposal, quality control, etc. (the “**Selection Criteria**”).

According to Tender and Bidding Law of the PRC, (i) the Panels should evaluate bidding documents in compliance with the selection criteria and their respective weights as set out in the tendering documents; and (ii) members of the Panels shall perform their duties objectively and fairly as well as in compliance with their professional code of conduct. Each of the members of the Panels should take responsibility for their conclusions individually. According to the Project Tender Documents, the weight of each Selection Criteria was disclosed in the Project Tender Documents and the same was applicable to all participants.

As stated in the Project Tender Documents, in the event that any member of the Panels, among other things, (i) are close relatives of the bidder or responsible staff of the bidder; (ii) have any economic interest relationship with the bidder, which may affect the fairness of the evaluation; (iii) conducted illegal acts and received administrative punishment or criminal punishment in previous tender, evaluation of previous tender and other activities relating to previous tender; or (iv) have other interests with the bidder ((i) to (iv) together, the “**Abstained Circumstances**”), the members should abstain from evaluation of bidding.

According to the Score Documents and as also confirmed by the Company, no member of the Panels abstained from evaluation of bidding in respect of the transactions contemplated under the Project Agreements as a result of above-mentioned circumstances.

Upon our further request, person-in-charge (the “**Personnel**”) of Plan and Development Department of Haiyang Wind Power (being the Company’s indirect wholly-owned subsidiary and employer of the Project) confirmed in writing that (i) there was no member of the Panels abstained from evaluation of bidding in respect of the transactions contemplated under the Project Agreements; (ii) there was no Abstained Circumstances taking place during the process of evaluation of bidding; (iii) the Personnel was not aware of any conflict of interests relationship among members of the Panels and all the participants (including Shandong Institute); and (iv) no member of the Panels held position in Shandong Institute since two years immediately prior to establishment of the relevant Panels.

We further discussed with leaders of each Panels to understand (i) their experience in the wind power industry and participating times to act as members of other bid evaluation panels for onshore/offshore wind power projects; (ii) scoring standard for each of the bid evaluation; (iii) main factors when they evaluating the Bidding Documents; and (iv) their independence in respect of acting as members of the Panel. They confirmed that (i) there was no



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## LETTER FROM GRAM CAPITAL

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matter which was likely to create a conflict of interest for them when they evaluating the Bidding Documents; and (ii) they were not aware of any Abstained Circumstances taking place during the process of evaluation of bidding.

Despite that certain members of the Panels hold positions in members of SPIC (other than Shandong Institute), having considered (i) the aforesaid requirements for members of the Panels, in particular, members of the Panels shall perform their duties objectively and fairly as well as in compliance with their professional code of conduct; (ii) that no member of the Panels abstained from evaluation of bidding in respect of the transactions contemplated under the Project Agreements, which indicated that (among other things) the members of the Panels have no economic interest relationship with the bidders (which may affect the fairness of the evaluation); and (iii) the Personnel's confirmation as mentioned above, we do not doubt the fairness of the evaluation results.

In addition, we also obtained documents (the “**Score Documents**”) showing scores of each technical aspects under the Bidding Documents as graded by each member of the Panel. According to the Score Documents, Shandong Institute was graded a higher score as compared to the other two participants under each part of the transactions contemplated under the Project Agreements.

As also mentioned above, according to the January Report, the Independent Consultant was of the view that as compared to the construction conditions of the offshore wind power project in the same period, the current construction conditions of the Project were relatively completed. Subject to (i) the on-schedule supply of the main equipment, monopile foundation and tower tube, sea booster station, electrical main equipment, high-voltage submarine cable; and (ii) the confirmation of the project construction ship and the ship machine entry lease contract being signed in advance, it is feasible for the Project to complete the full-capacity grid connection before 31 December 2021.

- We obtained from the Company a 工程造價可行性諮詢報告 (Engineering Cost Feasibility Consulting Report\*, the “**April Report**”). The April Report was issued by the Independent Consultant in April 2021.

Upon our request, the Company provided us the qualification of Independent Consultant and experience of the main designer (主設, being the person who designed and reviewed the April report) of the April Report.

We noted that the Independent Consultant holds Grade A of Qualification Certificate of Construction Pricing Consultant (工程造價諮詢單位資質證書(甲級)) (the “**Certificate**”) and the main designer of the April Report holds level one registered qualification certificate of cost engineer (一級造價工程師註冊證書). The main designer also acted as responsible officer for cost (造價) for other two offshore wind power projects.

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## LETTER FROM GRAM CAPITAL

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For our due diligence purpose, we noted from 《工程造價諮詢企業管理辦法》(Engineering Cost Consulting Business Management Approach\*) published by Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) that (i) pricing consulting agencies shall hold Grade A (which allows the holder to undertake engineering cost consultancy businesses for construction projects of any kind) or Grade B (which allows the holder to undertake engineering cost consultancy businesses for construction projects of any kind with engineering costs of less than RMB200 million) Certificate; (ii) the Certificate is valid for three years and is allowed to extend for three years subject to approval by relevant government authorities; (iii) responsible officers for Grade A pricing consulting agencies and Grade B pricing consulting agencies should have not less than 15 years' experience and 10 years' experience in estimating budget/construction cost of project respectively and hold level one registered qualification certificate of cost engineer (一級造價工程師註冊證書); and (iv) pricing consulting agencies should have technique file system, quality control system and financial management system.

Based on the above, we are satisfied with the qualification and experience of the Independent Consultant and the main designer.

We further discussed with a staff of the Independent Consultant who was responsible for preparing the April Report. During our discussion, we understood that (i) the department of the Independent Consultant (which the main designer and the staff hold positions) is responsible for the cost engineering work for new energy power projects of Independent Consultant; (ii) the estimated cost of the Project was based on work of scope as stated in all relevant agreements of the Project and market costs of relevant works; (iii) source of market costs of relevant works includes their discussion with construction teams who handle offshore wind power projects of the Independent Consultant, their understanding from markets, etc.; and (iv) the background of the rush to install in the PRC was considered when estimating the cost. As also advised by the staff, the main designer of the April Report participated in the drafting of relevant cost standards as listed out in (i) and (ii) of the preparation basis and references section below.

The preparation basis and references are as follows:

- (i) 《海上風電場工程設計概算編製規定及費用標準》(Preparation Regulations for Cost Estimation of Offshore Wind Power Projects) issued by National Energy Administration of the PRC;
- (ii) 《海上風電場工程概算定額》(Quota for Estimation of Offshore Wind Power Projects) as published by National Energy Administration of the PRC;
- (iii) 《陸上風電場工程設計概算編製規定及費用標準》(Preparation Regulation for Cost Estimation of Onshore Wind Power Projects) as published by National Energy Administration of the PRC;

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## LETTER FROM GRAM CAPITAL

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- (iv) 《陸上風電場工程概算定額》(Ration of Cost Estimation for Onshore Wind Power Projects) as published by National Energy Administration of the PRC;
- (v) design information and drawings; and
- (vi) cost of main construction was considered the background of the rush to install in the PRC.

According to the April Report and as advised by the Independent Consultant, the Independent Consultant considers that (i) the main equipment price and engineering cost are appropriate and in line with the price level of the current PRC offshore wind power industry (under the background of the rush to install) according to the Onshore Construction EPC Agreement and the Offshore Construction EPC Agreement; (ii) the estimated costs of the Project (including transactions contemplated under the Project Agreements and transactions contemplated under other relevant agreements (such as procurement of wind turbines and electrical equipment of a booster station in the wind farm from various independent third parties for approximately RMB2.0 billion)) amounted to approximately RMB5.86 billion and the consideration of the Project pursuant to all relevant agreements amounted to approximately RMB5.59 billion; and (iii) cost of the static investment of the Project was RMB19,055.65 per kilowatt and cost of the static investment of similar projects ranged from RMB18,500 per kilowatt to RMB19,500 per kilowatt according to the Independent Consultant's experience and research.

In light of the above factors, including (i) there is no material difference between the total maximum considerations of the Project Agreements and the Estimated Costs; (ii) bidding prices offered by Shandong Institute are lower than bidding prices offered by other participants; and (iii) the Independent Consultant's opinion on the main equipment price and construction cost of the Project as mentioned above, we consider that the total maximum consideration under the Project Agreements is fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### *Payment terms:*

<b>The Onshore Construction EPC Agreement</b>	<b>The Offshore Construction EPC Agreement</b>	<b>The Preliminary Development and Technical Consultancy Agreement</b>	<b>The Construction Engineering Survey Agreement</b>
<p>The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the total contracting fee within 1 month after the Onshore Construction EPC Agreement becoming effective and the Employer having received and verified from the Contractor an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the total contracting fee.</p>	<p>The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the total contracting fee within 1 month after the Offshore Construction EPC Agreement becoming effective and the Employer having received and verified from the Contractor an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the total contracting fee.</p>	<p>The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the total contracting fee within 40 days after receipt of a payment application from the Contractor, provided that (i) the Preliminary Development and Technical Consultancy Agreement having become effective; and (ii) the Employer having received and verified from the Contractor, within 10 days after execution of the agreement, an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the total contracting fee.</p>	<p>Surveying fee: The Employer shall make a prepayment to the Contractor an amount which is equivalent to 10% of the surveying fee within 20 days after the Construction Engineering Survey Agreement becoming effective and the Employer having received from the Contractor an irrevocable bank performance guarantee for an amount which is equivalent to 10% of the surveying fee. The remaining 90% of the surveying fee is payable by instalments according to the respective stages of work having completed, delivered and verified by the Employer.</p>
<p>The remaining 90% of the total contracting fee is payable by instalments according to their respective payment terms as specified in section headed “(A) ONSHORE CONSTRUCTION EPC AGREEMENT” of the Board Letter.</p>	<p>The remaining 90% of the total contracting fee is payable by instalments according to their respective payment terms as specified section headed “(B) OFFSHORE CONSTRUCTION EPC AGREEMENT” of the Board Letter.</p>	<p>The remaining 90% of the total contracting fee is payable by instalments according to the respective stages of work having completed, delivered and verified by the Employer.</p>	<p>Quality assurance fee: (i) 80% is payable within 30 days after the last wind turbine has been constructed; (ii) 20% is payable within 30 days after the last wind turbine has passed the trial operation for 1 year provided that there has been no major error in the geological surveys and engineering surveys on the part of the Contractor that causes the Project’s failure to reach its designed efficiency for one consecutive year.</p>

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## LETTER FROM GRAM CAPITAL

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According to the Project Tender Documents, payment terms of the transactions contemplated under the Project Agreements are in line with the payment terms as set out in the respective Project Tender Documents, which are applied to all participants (i.e. possible service providers).

Therefore, we consider the payment terms are on normal commercial terms.

Having considered the following factors, including:

- (i) the total maximum considerations under the Project Agreements are fair and reasonable;
- (ii) save for the considerations, which will be the bidding price offered by the successful bidder at the open tender for the transactions contemplated under the Project Agreements, other key terms of the transactions contemplated under the Project Agreements (i.e. payment terms, default, quality warranty, etc.) were substantially the same as those set out in the Project Tender Document and applied to all participants (i.e. possible service providers),

we are of the view that the Transactions are on normal and commercial terms and are fair and reasonable.

### RECOMMENDATIONS

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions 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. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the General Meeting to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) 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 purposes only*

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**LETTER FROM GRAM CAPITAL**

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**APPENDIX**

**1. Information on participants to the Project tendering**

Brief description of all the participants in each of the four parts of the transactions contemplated under the Project Agreements are set out as follows:

	<b>Onshore construction EPC</b>	<b>Offshore construction EPC</b>	<b>Preliminary development and technical consultancy services</b>	<b>Construction engineering survey services</b>	<b>Background information</b>
Shandong Institute	Yes	Yes	Yes	Yes	Please refer to section headed “Information on Shandong Institute” above.
Participant A	No	No	Yes	No	Participant A was established in 1950s. It’s principally engaged in the engineering construction of water conservancy, hydropower, new energy, environmental engineering projects.
Participant B	No	No	Yes	Yes	Participant B was established in 1950s. Participant B holds various Grade A certificate in different areas, such as water conservancy industry design, power industry (hydropower, wind power) design, etc.. Participant B participated in and designed several offshore wind power projects.

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**LETTER FROM GRAM CAPITAL**

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	<b>Onshore construction EPC</b>	<b>Offshore construction EPC</b>	<b>Preliminary development and technical consultancy services</b>	<b>Construction engineering survey services</b>	<b>Background information</b>
Participant C (i.e. the Independent Consultant)	No	Yes	No	Yes	the Independent Consultant is one of the globally leading engineering and construction firms. It ranked 8th of Chinese Top 100 Survey & Design Enterprise by Comprehensive Strength (中國勘察設計綜合實力百強單位), 12th of Chinese Top 60 Chinese Design Firms (中國工程設計企業60強), 37th of Chinese Top 80 Chinese Contractors (中國承包商80強). The Independent Consultant is a subsidiary of Power Construction Corporation of China, Ltd. (SH601669).
Participant D	Yes	No	No	No	Participant D was established in 1950s. The Participant D holds various Grade A certificate in engineering construction, engineering survey, engineering design, engineering consultancy, etc.

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**LETTER FROM GRAM CAPITAL**

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	<b>Onshore construction EPC</b>	<b>Offshore construction EPC</b>	<b>Preliminary development and technical consultancy services</b>	<b>Construction engineering survey services</b>	<b>Background information</b>
Participant E	Yes	No	No	No	Participant E was established in 1950s and is a national-level Class A survey and design company. The business scopes of Participant E covers planning of electric power system, survey and design, technical consulting, engineering supervision and EPC of power generation projects etc.
Participant F	No	Yes	No	No	Participant F was established in 1950s and is a wholly-owned secondary subsidiary of SPIC. As a key participant achieving third-generation nuclear power independence in China, it undertakes the research of a major national science and technology project, i.e., large advanced pressurized water reactor (PWR) and high temperature gas-cooled reactor (HTGR) nuclear power.

*Source: Bidding documents and/or websites of the participants*

*Note: “Yes” means the participant participated in the project. “No” means the participant did not participate in the project.*



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**LETTER FROM GRAM CAPITAL**

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**2. Information on the Panels**

<b>Panels</b>	<b>Parts of the transactions contemplated under the Project Agreements the Panel is evaluated for</b>	<b>Evaluation aspect</b>	<b>Number of members who evaluated and graded the Bidding Documents</b>	<b>Most experienced members who involve in relevant wind power industry</b>	<b>Members' maximum participating times to act as members of other bid evaluation panels</b>
<b>Panel A</b>	<b>Onshore construction EPC and offshore construction EPC</b>	Business aspects	5	Relating onshore wind power industry: 8 years  Relating offshore wind power industry: 6 years	For onshore wind power industry: 10 times  For offshore wind power industry: 6 times
<b>Panel B</b>	<b>Onshore construction EPC and offshore construction EPC</b>	Technical aspects	7	Relating onshore wind power industry: 9 years  Relating offshore wind power industry: 6 years	For onshore wind power industry: 13 times  For offshore wind power industry: 7 times
<b>Panel C</b>	<b>Preliminary development and technical consultancy services</b>	Business aspects	5	Relating onshore wind power industry: 5 years  Relating offshore wind power industry: 6 years	For onshore wind power industry: 8 times  For offshore wind power industry: 2 times

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**LETTER FROM GRAM CAPITAL**

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<b>Panels</b>	<b>Parts of the transactions contemplated under the Project Agreements the Panel is evaluated for</b>	<b>Evaluation aspect</b>	<b>Number of members who evaluated and graded the Bidding Documents</b>	<b>Most experienced members who involve in relevant wind power industry</b>	<b>Members' maximum participating times to act as members of other bid evaluation panels</b>
<b>Panel D</b>	<b>Preliminary development and technical consultancy services</b>	Technical aspects	5	<p>Relating onshore wind power industry: 8 years</p> <p>Relating offshore wind power industry: 4 years</p>	<p>For onshore wind power industry: 7 times</p> <p>For offshore wind power industry: 2 times</p>
<b>Panel E</b>	<b>Construction engineering survey services</b>	Business aspects	5	<p>Relating onshore wind power industry: 8 years</p> <p>Relating offshore wind power industry: 6 years</p>	<p>For onshore wind power industry: 7 times</p> <p>For offshore wind power industry: 3 times</p>
<b>Panel F</b>	<b>Construction engineering survey services</b>	Technical aspects	7	<p>Relating onshore wind power industry: 5 years</p> <p>Relating offshore wind power industry: 6 years</p>	<p>For onshore wind power industry: 5 times</p> <p>For offshore wind power industry: 4 times</p>

## 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 <sup>(4)</sup>	Percentage of issued share capital of the Company (%)	Long/short position
SPIC Finance HK	Beneficial owner	392,275,453	4.00	Long
CPDL	Beneficial owner	2,662,000,000	27.14	Long
Seth Holdings Corporation Limited (“Seth Holdings”) <sup>(1)</sup>	Interest of a controlled corporation	2,662,000,000	27.14	Long
CPI Holding <sup>(2)</sup>	Interest of a controlled corporation	2,662,000,000	27.14	Long
	Beneficial owner	2,833,518,060	28.89	Long
SPIC <sup>(3)</sup>	Interest of controlled corporations	5,887,793,513	60.04	Long

*Notes:*

- (1) On 28 December 2017, CPDL had made an issue of non-voting convertible preferred shares to Seth Holdings pursuant to an agreement entered into between Seth Holdings, CPI Holding and CPDL. If those non-voting convertible preferred shares were fully converted into ordinary shares, Seth Holdings would hold approximately 33.48% of the voting rights in CPDL. As a result of the agreement, Seth Holdings became a beneficial owner of CPDL and therefore Seth Holdings is deemed to be interested in the shares of the Company owned by CPDL for the purposes of the SFO.

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

### **3. DIRECTORS' INTERESTS IN SECURITIES**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position 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 were required to be (i) 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 were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, entered in the register referred to therein, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### **4. DIRECTORS' INTERESTS IN CONTRACTS**

None of the Directors was materially interested in any contract or arrangement entered into by any members of the Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group.

### **5. 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 Group which was not determinable by the employing company within one year without payment of any compensation other than statutory compensation.

## 6. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

<b>Name of the Director</b>	<b>Position(s) within the Company</b>	<b>Other Interests</b>
HE Xi	Chairman of the Board, Executive Director and President	Chief engineer of new energy of SPIC
WANG Xianchun	Non-executive Director	Special duty director and supervisor of SPIC, director of Shanghai Electric Power Co., Ltd. and supervisor of Jilin Electric Power Co., Ltd.
ZHOU Jie	Non-executive Director	Special duty director of SPIC

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors held any position as a director or employee of SPIC Finance HK, CPDL, CPI Holding or SPIC.

## 7. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Gram Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and the references to its name in the form and context in which they were included.

As at the Latest Practicable Date, Gram Capital did not have any shareholding in any members 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.

**8. INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors or the expert named in paragraph 7 of this appendix had any direct or indirect interest in any assets which have been or were proposed to be, acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

**9. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there has not been any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

**10. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Cheung Siu Lan, who is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators in the United Kingdom), holding Chartered Secretary and Chartered Governance Professional dual designations. She is also a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (b) The registered office of the Company is Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 3 June 2021 (both dates inclusive):

- (a) the Onshore Construction EPC Agreement;
- (b) the Offshore Construction EPC Agreement;
- (c) the Preliminary Development and Technical Consultancy Agreement;
- (d) the Construction Engineering Survey Agreement;

- (e) the letter dated 13 May 2021 from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (f) the letter dated 13 May 2021 from Gram Capital, the text of which is set out on pages 22 to 48 of this circular; and
- (g) the written consent given by the Independent Financial Adviser as referred to in the paragraph headed “Expert and Consent” of this appendix.

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## NOTICE OF THE GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that a general meeting of China Power International Development Limited (the “**Company**”) will be held at Meeting Room S421 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Thursday, 3 June 2021 at 11:00 a.m. (the “**General Meeting**”), for the purposes of considering and, if thought fit, passing with or without modifications the following resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the Onshore Construction EPC Agreement, the Offshore Construction EPC Agreement, the Preliminary Development and Technical Consultancy Agreement and the Construction Engineering Survey Agreement dated 13 April 2021 (collectively as the “**Project Agreements**” as defined in the Company’s circular dated 13 May 2021), copies of which have been produced to the meeting marked “**A, B, C and D**” respectively and have been signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, the implementation thereof and all other matters incidental thereto be and are hereby approved and confirmed; and
- (b) any director(s) of the Company be and is/are hereby authorized for and on behalf of the Company, amongst other matters, to sign, seal, execute, perfect, deliver, do or to authorize signing, executing, perfecting and delivering and doing all such further documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Project Agreements and all such acts and things the directors of the Company have done are hereby approved, confirmed and ratified.”

\* *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, 13 May 2021



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## NOTICE OF THE GENERAL MEETING

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*Registered Office:*

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

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. **Closure of register of members of the Company for the General Meeting:** The register of members of the Company will be closed from Monday, 31 May 2021 to Thursday, 3 June 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. In order **to qualify to attend and vote at the General Meeting**, 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 Friday, 28 May 2021.**
3. In light of the continuing risks posed by the COVID-19 pandemic and the HKSAR Government's current social distancing laws and regulations for shareholders' meetings of listed companies, shareholders of the Company other than State Power Investment Corporation Limited and its associates ("**Independent Shareholders**") are strongly advised **NOT to attend the General Meeting in person.** For health and safety purposes, the Company strongly advises Independent Shareholders **to appoint the chairman of the General Meeting as their proxy to cast their votes** instead of attending the General Meeting in person.
4. The Company has already made available **a live webcast of the General Meeting for all registered shareholders of the Company.** Registered shareholders of the Company may watch the General Meeting through the live website. **Registered shareholders of the Company shall receive a separate letter for the meeting ID and the user passcode to access the live webcast of the General Meeting.**
5. **Voting by proxy in advance of the General Meeting:** If any shareholder of the Company chooses not to attend the General Meeting in person and like to appoint the chairman of the General Meeting as his/her proxy, the proxy form is enclosed with this circular or can be downloaded from the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.chinapower.hk](http://www.chinapower.hk).
6. **The deadline to submit completed proxy forms:** To be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited (i) to its physical address 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](mailto:eproxy@chinapower.hk)** not less than 48 hours before the time appointed for the holding of the General Meeting or any adjourned meeting thereof (as the case may be).
7. The email address provided in paragraph 6 above is provided only for receiving proxy forms relating to the General Meeting. The email address shall not be used for any other purposes nor shall it be in use after the deadline stated in paragraph 6 above.
8. **Watching the live webcast of the General Meeting:** Registered shareholders of the Company not attending the General Meeting in person may view the live webcast of the General Meeting proceedings through **[www.chinapower.hk/webcast/2021/agm-gm2021.php](http://www.chinapower.hk/webcast/2021/agm-gm2021.php)**. The webcast will be open for registered shareholders of the Company to log in approximately 30 minutes prior to the commencement of the General Meeting 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 of the Company joining the webcast will not be counted towards a quorum nor will they be able to cast their vote online.

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## NOTICE OF THE GENERAL MEETING

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9. **Questions at or prior to the General Meeting:** Shareholders of the Company will be able to raise questions relevant to the proposed resolution prior to the General Meeting, he/she is welcome to send such questions or matters in writing either to the Company's email at **ir@chinapower.hk** before Monday, 31 May 2021 at 7:00 p.m. and online during the webcast (for registered shareholders of the Company only). The usual Q&A time at the General Meeting will be restricted to a maximum of 15 minutes.
10. **Appointment of proxy by non-registered shareholders of the Company:** Non-registered shareholders of the Company whose Shares are held through banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.
11. **Shareholders of the Company who choose to attend the General Meeting in person must observe the following precautionary measures.**

### PRECAUTIONARY MEASURES FOR THE GENERAL MEETING

The following precautionary measures will be implemented at the General Meeting to prevent and control the spreading of the COVID-19 pandemic.

- **NO** serving of any refreshments or beverages and **NO** distribution of any gifts or bakery vouchers
- Compulsory body temperature screening/checks
- Mandatory wearing of surgical face masks at all times
- Mandatory filling out of health and travel declaration form
- Appropriate social distancing and limiting the number of attendees to avoid over-crowding

**Attendees who do not comply with the above precautionary measures may be denied entry to the General Meeting venue, at the absolute discretion of the Company as permitted by law.**

12. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain director(s) of the Company may attend the General Meeting by means of video conference or similar electronic means.
13. 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 11:00 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 of the Company 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 of the Company may also telephone the Company's hotline on (852) 2862 8688 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 Company of the date, time and location of the rescheduled meeting. At least seven clear days' notice shall be given of the rescheduled meeting. Shareholders of the Company should in any event exercise due care and caution when deciding to attend the above meeting in adverse weather conditions.
14. As required by the Listing Rules, the vote will be taken by poll. The chairman of the above meeting will demand a poll on the resolution set out in the notice of the above meeting in accordance with the articles of association of the Company.
15. As at the date of this notice, the directors of the Company are: executive director HE Xi, non-executive directors WANG Xianchun and ZHOU Jie, and independent non-executive directors KWONG Che Keung, Gordon, LI Fang and YAU Ka Chi.

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## NOTICE OF THE GENERAL MEETING

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If shareholders of the Company have any questions relating to the General Meeting, 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 8688

Fax: (852) 2865 0990

Email: [chinapower.ecom@computershare.com.hk](mailto:chinapower.ecom@computershare.com.hk)