
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in CGN New Energy Holdings Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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



CGN NEW ENERGY HOLDINGS CO., LTD.

中國廣核新能源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1811)

**(1) MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE FINANCIAL SERVICES
FRAMEWORK AGREEMENTS
AND**

**(2) CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE OPERATION AND MANAGEMENT SERVICES
FRAMEWORK AGREEMENTS
AND**

(3) NOTICE OF SPECIAL GENERAL MEETING

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

ALTUS CAPITAL LIMITED

A notice convening the Special General Meeting of CGN New Energy Holdings Co., Ltd. (the "Company") to be held at Basement 2 Meeting Room, Wharney Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Wednesday, 23 December 2020 at 10:00 a.m. is set out on pages 83 to 88 of this circular. A form of proxy for use at the Special General Meeting (or at any adjournment thereof) is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.cgnne.com>).

If you are not able to attend the Special General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof (as the case may be) if you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the coronavirus disease 2019 (COVID-19), the following precautionary measures will be implemented at the Special General Meeting of the Company:

- (1) Compulsory temperature screening/checks;
- (2) Submission of health and travel declaration form;
- (3) Wearing of surgical face mask; and
- (4) No provision of refreshments or drinks.

Attendees who do not comply with the precautionary measures referred to in (1) to (3) above may be denied entry to the venue for the Special General Meeting, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the Special General Meeting by appointing the chairman of the Special General Meeting as their proxy and to return their proxy forms by the time specified above, instead of attending the Special General Meeting in person.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
 LETTER FROM THE BOARD	
1. INTRODUCTION	7
2. MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS	8
3. CONTINUING CONNECTED TRANSACTIONS	22
4. SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT	39
5. RECOMMENDATIONS	40
6. FURTHER INFORMATION	41
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	42
LETTER FROM ALTUS CAPITAL LIMITED	44
APPENDIX I – FINANCIAL INFORMATION	74
APPENDIX II – GENERAL INFORMATION	77
NOTICE OF SPECIAL GENERAL MEETING	83

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business day”	any day (other than a Saturday or Sunday or public holiday) on which banks are generally open for business in Hong Kong and the PRC
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“CCT Agreements”	collectively, (i) the Financial Services Framework Agreements; and (ii) the Operation and Management Services Framework Agreements
“CCT and Annual Caps”	collectively, (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps
“CGN”	China General Nuclear Power Corporation (中國廣核集團有限公司), a state-owned enterprise established in the PRC and a controlling shareholder of the Company
“CGN Energy”	CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司), a company established in the PRC and a wholly-owned subsidiary of CGN
“CGN Energy International”	CGN Energy International Holdings Co., Limited (中國廣核能源國際控股有限公司), a company established in Hong Kong and a controlling shareholder of the Company
“CGN Finance”	CGN Finance Co., Ltd. (中廣核財務有限責任公司), a company established in the PRC and a non-wholly owned subsidiary of CGN
“CGN Group”	CGN and its subsidiaries from time to time
“CGNPC Huasheng”	CGNPC Huasheng Investment Limited (中廣核華盛投資有限公司), a company established in Hong Kong and a wholly-owned subsidiary of CGN

DEFINITIONS

“CGNPC International”	CGNPC International Limited (中廣核國際有限公司), a company established in Hong Kong and a controlling shareholder of the Company
“CGN Solar Energy”	CGN Solar Energy Development Co., Ltd. (中廣核太陽能開發有限公司), a company established in the PRC and a non-wholly owned subsidiary of CGN
“CGN Wind Energy”	CGN Wind Power Company, Limited (中廣核風電有限公司), a company established in the PRC and a non-wholly owned subsidiary of CGN
“close associate”	has the meaning ascribed to it under the Listing Rules
“Company”	CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1811)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Financial Services Annual Caps”	the proposed annual caps in respect of the transactions contemplated under the Financial Services Framework Agreements for each of the three years ending 31 December 2023
“Financial Services (CGN Finance) Framework Agreement”	the agreement in relation to the deposit and other financial services arrangements in the PRC provided by CGN Finance to the Group entered into on 12 September 2014, which was subsequently renewed for two further terms from 30 May 2015 to 31 December 2017, and from 1 January 2018 to 31 December 2020, the details of the renewals of this agreement were set out in the announcement of the Company dated 10 November 2017 and the circular of the Company dated 30 November 2017

DEFINITIONS

“Financial Services (CGNPC Huasheng) Framework Agreement”	the agreement in relation to the deposit and other financial services arrangements in Hong Kong provided by CGNPC Huasheng to the Group entered into on 12 September 2014, which was subsequently renewed for two further terms from 30 May 2015 to 31 December 2017, and from 1 January 2018 to 31 December 2020, the details of the renewals of this agreement were set out in the announcement of the Company dated 10 November 2017 and the circular of the Company dated 30 November 2017
“Financial Services Framework Agreements”	collectively, the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huamei Holding”	Huamei Holding Company Limited, a company established under the laws of Bermuda, a wholly-owned subsidiary of CGN
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the CCT and Annual Caps
“Independent Shareholders”	the Shareholders other than CGN and its associates (as defined under the Listing Rules)
“Latest Practicable Date”	20 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Operation and Management Services Annual Caps”	the proposed annual caps in respect of the management fees payable to the Company under the Operation and Management Services Framework Agreements for each of the three years ending 31 December 2023
“Operation and Management Services Framework Agreements”	collectively, (i) the Operation and Management Services (Solar Energy) Framework Agreement, (ii) the Operation and Management Services (Wind Energy) Framework Agreement, (iii) the Operation and Management Services (CGN Energy) Framework Agreement and (iv) the Operation and Management Services (Huamei Holding) Framework Agreement
“Operation and Management Services (CGN Energy) Framework Agreement”	the framework agreement dated 20 August 2014 between the Company and CGN Energy for the provision of operation and management services by the Group to power projects in which CGN Energy has interest in, which was subsequently renewed for two further terms from 1 January 2017 to 31 December 2019 and 1 January 2020 to 31 December 2020, details of the renewals of this agreement were set out in the announcements of the Company dated 29 December 2016 and 4 December 2019
“Operation and Management Services (Huamei Holding) Framework Agreement”	the framework agreement dated 15 September 2014 between the Company and Huamei Holding for the provision of operation and management services by the Group to power projects in which Huamei Holding has interest in, which was subsequently renewed for two further terms from 1 January 2017 to 31 December 2019 and 1 January 2020 to 31 December 2020, details of the renewals of this agreement were set out in the announcements of the Company dated 29 December 2016 and 4 December 2019
“Operation and Management Services (Solar Energy) Framework Agreement”	the framework agreement dated 17 June 2015 between the Company and CGN Solar Energy for the provision of operation and management services by the Group to power projects in which CGN Solar Energy has interest in, which was subsequently renewed for one further term from 1 January 2018 to 31 December 2020, the details of the renewal of this agreement were set out in the announcement of the Company dated 10 November 2017 and the circular of the Company dated 30 November 2017

DEFINITIONS

“Operation and Management Services (Wind Energy) Framework Agreement”	the framework agreement dated 17 June 2015 between the Company and CGN Wind Energy for the provision of operation and management services by the Group to power projects in which CGN Wind Energy has interest in, which was subsequently renewed for one further term from 1 January 2018 to 31 December 2020, the details of the renewal of this agreement were set out in the announcement of the Company dated 10 November 2017 and the circular of the Company dated 30 November 2017
“Overlapping Directors”	Directors who are also directors and/or senior management of certain members of the CGN Group, namely Mr. Chen Sui, Mr. Li Yilun, Mr. Zhang Zhiwu and Mr. Xing Ping
“PBOC”	the People’s Bank of China
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Renewal Date”	1 January 2021, which is conditional upon the approval by the Independent Shareholders of (1) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; or (2) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Special General Meeting”	the special general meeting of the Company to be held on 23 December 2020 to, among others, consider and, if thought fit, approve the CCT and Annual Caps

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



CGN NEW ENERGY HOLDINGS CO., LTD.

中國廣核新能源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1811)

Chairman and Non-executive Director:

Mr. Chen Sui

Executive Directors:

Mr. Li Yilun *(President)*

Mr. Zhang Zhiwu

Non-executive Director:

Mr. Xing Ping

Independent non-executive Directors:

Mr. Wang Minhao

Mr. Yang Xiaosheng

Mr. Leung Chi Ching Frederick

Registered office:

Victoria Place

31 Victoria Street

Hamilton

HM10

Bermuda

*Headquarters and principal place
of business in Hong Kong:*

15th Floor

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

25 November 2020

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE FINANCIAL SERVICES
FRAMEWORK AGREEMENTS**

AND

**(2) CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE OPERATION AND MANAGEMENT SERVICES
FRAMEWORK AGREEMENTS**

AND

(3) NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

The purpose of this circular is to (a) provide you with information in respect of the resolutions to be proposed at the Special General Meeting for (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management

LETTER FROM THE BOARD

Services Annual Caps; (b) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders the matters set out in (a) above, and the recommendation and opinion of the Independent Board Committee to the Independent Shareholders after taking into consideration of the advice of the Independent Financial Adviser; and (c) give you notice of the Special General Meeting.

2. MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Renewal of the Financial Services Framework Agreements

Introduction

References are made to the announcements of the Company dated 18 March 2015, 10 November 2017 and 10 November 2020, and the circulars of the Company dated 20 April 2015 and 30 November 2017 in relation to, among others, the Financial Services Framework Agreements. The Company has served a notice to each of CGNPC Huasheng and CGN Finance to renew the term of the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement, respectively, upon the expiry of their respective terms on 31 December 2020. Subject to the compliance of the Listing Rules by the Company, the Financial Services Framework Agreements will be renewed for three financial years from the Renewal Date and shall continue up to and including 31 December 2023.

Furthermore, the Board has agreed with each of CGNPC Huasheng and CGN Finance to add a clause to the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement, respectively, to give the Company, CGNPC Huasheng and CGN Finance (as the case may be) a right to terminate the respective Financial Services Framework Agreements (as the case may be) by mutual agreement in writing among the parties with one month's advance notice.

The principal terms of the Financial Services Framework Agreements are set out below.

Renewal of the Financial Services (CGNPC Huasheng) Framework Agreement

Date

12 September 2014

Parties

- (1) The Company; and
- (2) CGNPC Huasheng

LETTER FROM THE BOARD

Principal terms

Pursuant to the Financial Services (CGNPC Huasheng) Framework Agreement, the Group may from time to time deposit money with CGNPC Huasheng, through arrangements set up with third party commercial bank(s). CGNPC Huasheng shall accept deposits from the Group at an interest rate not less than the highest interest rate for the same type of deposit as may be offered in Hong Kong by (i) major independent third party commercial banks to the Group; and (ii) CGNPC Huasheng to other offshore subsidiaries, associates or affiliated companies of CGN. As CGNPC Huasheng is not a licensed deposit-taking company in Hong Kong, such deposit arrangements between the Group and CGNPC Huasheng in Hong Kong will be arranged through commercial bank(s) or other licensed financial institution(s) with which the deposit placing company within the Group and CGNPC Huasheng have opened and maintained depositary accounts. Under such arrangement, the commercial bank(s) or other financial institution(s) are merely facilitating the deposit arrangements between the Group and CGNPC Huasheng. Once a deposit is placed, it will be automatically transferred to the account(s) maintained at such commercial bank(s) or other financial institution(s) under the name of CGNPC Huasheng. In return, CGNPC Huasheng shall offer interest at a rate of not less than the above-mentioned benchmark rate to the Group.

Subject to the compliance with applicable laws and regulations, money deposited by the Group with CGNPC Huasheng may be deployed by CGNPC Huasheng for other purposes including the provision of loans or other credit facilities to the Group and other subsidiaries, associates or affiliated companies of CGN in the ordinary course of its business. The Group may early withdraw the Group's fixed deposits, together with any interest accrued and other receivables, before the deposit maturity after a reasonable written notice is given to CGNPC Huasheng.

Related to the above deposit services arrangements, the Group may from time to time request CGNPC Huasheng to provide loan services, including the provision of loan facilities, credit lines, revolving facilities, guarantees, bill acceptance and bill discount services, and finance leasing services. CGNPC Huasheng shall provide such loan services to the Group at an interest rate not higher than (i) the lowest interest rate as may be offered by any major third party commercial bank or financial institution to the Group, and (ii) the lowest interest rate as may be offered by CGNPC Huasheng to other subsidiaries, associates or affiliated companies of CGN, for the same type of loan services. The relevant subsidiary of the Group will not be required to provide any security for such loan services provided that the amount of the loans does not exceed the maximum amount of deposits placed by such subsidiary of the Group with CGNPC Huasheng. As at the Latest Practicable Date, the Company had outstanding loan balance of US\$250 million due to CGNPC Huasheng. In the event that the Group will require any loan or other financial services from CGNPC Huasheng under the Financial Services (CGNPC Huasheng) Framework Agreement for the three years ending 31 December 2023, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules accordingly.

LETTER FROM THE BOARD

The Group may from time to time request CGNPC Huasheng to provide intra-group or external settlement, transmittance or foreign exchange services outside the PRC or from Hong Kong to the PRC with deposits that have been placed by the Group with CGNPC Huasheng. CGNPC Huasheng shall provide such services to the Group at a service charge not higher than (i) the lowest service charge as may be offered by major independent third party commercial banks to the Group, and (ii) the lowest service charge that may be offered by CGNPC Huasheng to other subsidiaries, associates or affiliated companies of CGN outside the PRC for the same type of services.

CGNPC Huasheng shall provide the requisite services to the relevant subsidiary of the Group which places deposits with it respectively to allow such relevant subsidiary to choose to automatically rollover time deposits arrangements on the same terms and for the same duration without further instructions and authorization, unless and until CGNPC Huasheng receives instructions to terminate such automatic rollover arrangements

In the event of breach of any terms and conditions of the Financial Services (CGNPC Huasheng) Framework Agreement, the Company is, without prejudice to other rights and remedies of the Group, entitled to inform CGNPC Huasheng that all or part of the deposits placed by the Group to CGNPC Huasheng is immediately mature and request CGNPC Huasheng to repay all or part of the deposits, together with interest and all other fees payable immediately to the Group.

The Financial Services (CGNPC Huasheng) Framework Agreement does not prevent the Group from utilizing the depository services and other financial services set out therein provided by third party financial institutions or commercial banks. The Group is under no obligation or responsibility, and it is the Group's absolute discretion as to whether, to utilize the depository services and the financial services provided by CGNPC Huasheng as set out in the Financial Services (CGNPC Huasheng) Framework Agreement. At the same time, it is the sole discretion of CGNPC Huasheng as to whether to accept deposits from or provide other financial services to the Group as set out in the Financial Services (CGNPC Huasheng) Framework Agreement.

LETTER FROM THE BOARD

Duration

The proposed term of the Financial Services (CGNPC Huasheng) Framework Agreement will, which is conditional upon the approval by the Independent Shareholders of the renewal of the Financial Services (CGNPC Huasheng) Framework Agreement and Financial Services Annual Caps, commence on the Renewal Date, and shall continue up to and including 31 December 2023. The Financial Services (CGNPC Huasheng) Framework Agreement shall terminate on expiration of the then current term unless the Company notifies CGNPC Huasheng of its intention to extend the term for another three financial years within three months prior to the expiration of the then current term and complies with the relevant requirements under the Listing Rules. Subject to the compliance with the Listing Rules, there is no limit on the number of times that the term of the Financial Services (CGNPC Huasheng) Framework Agreement may be renewed in accordance with the above-mentioned procedures.

Additional clause

The Company and CGNPC Huasheng shall have the right to terminate the Financial Services (CGNPC Huasheng) Framework Agreement by mutual agreement in writing among the parties with one month's advance notice.

The reasons for and benefits of the amendment to the Financial Services (CGNPC Huasheng) Framework Agreement

The amendment to the Financial Services (CGNPC Huasheng) Framework Agreement allows greater flexibility for the parties to manage the services provided pursuant to the Financial Services (CGNPC Huasheng) Framework Agreement in accordance with the Group's operational and financial needs as a whole, since the original Financial Services (CGNPC Huasheng) Framework Agreement does not provide for such right for mutual termination.

LETTER FROM THE BOARD

Reasons for and benefits of the renewal of the Financial Services (CGNPC Huasheng) Framework Agreement

The role of CGNPC Huasheng is similar to a cash pooling centre via which funds from different subsidiary companies within the Group and the CGN Group outside the PRC are concentrated into the accounts maintained by CGNPC Huasheng in Hong Kong which, in return, will pay interest on deposits received or charge interest on the loans provided. Through CGNPC Huasheng (and thereby centralized fund management), the Group and the CGN Group can enjoy the benefit of efficiency enhancement in fund deployment between subsidiaries of its group. The centralized cash management exercise primarily aims to enable cash surpluses of some members of the Group and the CGN Group to cover the funding requirements of others, which can reduce or remove the need for external financing. Ultimately, the primary aim is to optimize the efficient use of cash resources among the members of the Group and the CGN Group.

The Group is expected to benefit from the CGN Group's familiarity with the Group's industry and operations. Through years of cooperation, CGNPC Huasheng has become familiar with the Group's capital structure, business operations, funding needs, cash flow pattern, cash management and the overall financial administrative system of the Group, which enables it to render more expedient, efficient and flexible services to the Group as compared to other commercial banks and independent financial institutions in Hong Kong.

The Directors (including the independent non-executive Directors) consider that the terms of the Financial Services (CGNPC Huasheng) Framework Agreement (including the amendment) are in the ordinary and usual course of business of the Group, on normal commercial terms and, together with the Financial Services Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Renewal of the Financial Services (CGN Finance) Framework Agreement

Date

12 September 2014

Parties

- (1) The Company; and
- (2) CGN Finance

LETTER FROM THE BOARD

Principal terms

Pursuant to the Financial Services (CGN Finance) Framework Agreement, the Group may from time to time deposit money with CGN Finance in the PRC. CGN Finance shall accept deposits from the Group at an interest rate not less than the highest interest rate for the same type of deposit as may be offered in the PRC by (i) major independent third party commercial banks to the Group; and (ii) CGN Finance to other onshore subsidiaries, associates or affiliated companies of CGN. Such deposit placing company within the Group will open and maintain RMB depository accounts with CGN Finance.

Subject to the compliance with applicable laws and regulations, money deposited by the Group with CGN Finance may be deployed by CGN Finance for the provision of loans or other credit facilities to the Group and other subsidiaries, associates and affiliated companies of CGN Group in the PRC similar to those provided by the PBOC or one or more other commercial banks in the PRC in the ordinary course of its business. The Group may early withdraw its fixed deposits, together with any interest accrued and other receivables, before the deposit maturity date after a reasonable written notice is given to CGN Finance.

Related to the above deposit services arrangements, the Group may from time to time request CGN Finance to provide loan services, including the provision of loan facilities, credit lines, revolving facilities, guarantees, bill acceptance and bill discount services, and finance leasing services. CGN Finance shall provide such loan services to the Group at an interest rate not higher than (i) the lowest interest rate as may be offered by any major third party commercial bank or financial institution to the Group; and (ii) the lowest interest rate as may be offered by CGN Finance to other subsidiaries, associates or affiliated companies of CGN, for the same type of loan services. The relevant subsidiary of the Group will not be required to provide any security for such loan services provided that the amount of the loans does not exceed the maximum amount of deposits placed by such subsidiary of the Group with CGN Finance. As at the Latest Practicable Date, the Company had outstanding loan balance of approximately RMB2.4 billion due to CGN Finance. In the event that the Group will require any loan or other financial services from CGN Finance under the Financial Services (CGN Finance) Framework Agreement during the three years ending 31 December 2023, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules accordingly.

LETTER FROM THE BOARD

The Group may from time to time request CGN Finance to provide intra-group or external settlement, transmittance or foreign exchange services within the PRC or from the PRC to Hong Kong, with deposits that have been placed by the Group with CGN Finance. CGN Finance shall provide such services to the Group at a service charge not higher than (i) the lowest service charge as may be offered by major independent third party commercial banks to the Group, and (ii) the lowest service charge that may be offered by CGN Finance to other subsidiaries, associates or affiliated companies of CGN within the PRC, for the same type of services.

The Financial Services (CGN Finance) Framework Agreement does not prevent the Group from utilizing the depository services and other financial services set out therein provided by third party financial institutions or commercial banks. The Group is under no obligation or responsibility, and it is the Group's absolute discretion as to whether, to utilize the depository services and the financial services provided by CGN Finance as set out in the Financial Services (CGN Finance) Framework Agreement. At the same time, it is the sole discretion of CGN Finance as to whether to accept deposits from or provide other financial services to the Group as set out in the Financial Services (CGN Finance) Framework Agreement.

Additional clause

The Company and CGN Finance shall have the right to terminate the Financial Services (CGN Finance) Framework Agreement by mutual agreement in writing among the parties with one-month's advance notice.

The reasons for and benefits of the amendment to the Financial Services (CGN Finance) Framework Agreement

The amendment to the Financial Services (CGN Finance) Framework Agreement allows greater flexibility for the parties to manage the services provided pursuant to the Financial Services (CGN Finance) Framework Agreement in accordance with the Group's operational and financial needs as a whole, since the original Financial Services (CGN Finance) Framework Agreement does not provide for such right for mutual termination.

LETTER FROM THE BOARD

Duration

The proposed term of the Financial Services (CGN Finance) Framework Agreement will, which is conditional upon the approval by the Independent Shareholders of the renewal of the Financial Services (CGN Finance) Framework Agreement and Financial Services Annual Caps, commence on the Renewal Date, and shall continue up to and including 31 December 2023. The Financial Services (CGN Finance) Framework Agreement shall terminate on expiration of the then current term unless the Company notifies CGN Finance of its intention to extend the term for another three financial years within three months prior to the expiration of the then current term and complies with the relevant requirements under the Listing Rules. Subject to the compliance with the Listing Rules, there is no limit on the number of times that the term of the Financial Services (CGN Finance) Framework Agreement may be renewed in accordance with the above-mentioned procedures.

Reasons for and benefits of the renewal of the Financial Services (CGN Finance) Framework Agreement

The role of CGN Finance is similar to a cash pooling centre via which funds from different members within the Group and the CGN Group (and its affiliates) in the PRC are concentrated into the accounts maintained by CGN Finance in the PRC which, in return, will pay interest on deposits received or charge interest on the loans provided. Through CGN Finance (and thereby centralized fund management), the Group and the CGN Group can enjoy the benefit of efficiency enhancement in fund deployment between subsidiaries of its group in the PRC. The centralized cash management exercise primarily aims to enable cash surpluses of some members of the Group and the CGN Group to cover the funding requirements of others in the PRC, which can reduce or remove the need for external financing. Ultimately, the primary aim is to optimize the efficient use of cash resources among the members of the Group and the CGN Group (and its affiliates) in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Financial Services (CGN Finance) Framework Agreement (including the amendment) are in the ordinary and usual course of business of the Group, on normal commercial terms and, together with the Financial Services Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Others

- i) Save and except the following material differences, there are no material differences in the terms of the financial services offered by CGNPC Huasheng and CGN Finance:
 - (a) It is provided in the Financial Services (CGNPC Huasheng) Framework Agreement that CGNPC Huasheng shall provide the requisite services to the relevant subsidiary of the Group which places deposits with it respectively to allow such relevant subsidiary to choose to automatically rollover time deposits arrangements on the same terms and for the same duration without further instructions and authorization, unless and until CGNPC Huasheng receives instructions to terminate such automatic rollover arrangements. However, there is no such arrangement in the Financial Services (CGN Finance) Framework Agreement.
 - (b) Under the Financial Services (CGNPC Huasheng) Framework Agreement, there is no currency requirement for the depository accounts opened and maintained with CGNPC Huasheng, while the depository accounts opened and maintained with CGN Finance under the Financial Services (CGN Finance) Framework Agreement should be in RMB.
 - (c) The provision of financial services by CGNPC Huasheng is governed by Hong Kong laws, while the provision of financial services by CGN Finance is governed by PRC laws.
- ii) The Group determines whether to place deposit to CGNPC Huasheng or CGN Finance based on the place of incorporation of the relevant Group company. If the relevant Group company is incorporated in the PRC, its funds will be deposited to CGN Finance. If the relevant Group company is incorporated outside of the PRC, the funds will be deposited to CGNPC Huasheng.

LETTER FROM THE BOARD

Historical figures

The maximum daily outstanding balance of deposits placed by the Group with CGNPC Huasheng and CGN Finance (including their respective interest received) and their respective existing annual caps, for the two years ended 31 December 2019 and the six months ended 30 June 2020 in relation to the similar financial services arrangements entered into by the Group with CGNPC Huasheng and CGN Finance, respectively, and the transactions contemplated under the Financial Services Framework Agreements were as follows:

		For the year ended 31 December 2018 <i>(US\$ million)</i>	For the year ended 31 December 2019 <i>(US\$ million)</i>	For the six months ended 30 June 2020 <i>(US\$ million)</i>
Maximum daily outstanding balance of deposits (with interest)	CGNPC Huasheng CGN Finance	13 363	26 372	28 412
	Total	<u>376</u>	<u>398</u>	<u>440</u>

The existing annual caps for the maximum daily outstanding balance of deposits to be placed and the relevant interest to be received under the Financial Services Framework Agreements are US\$524 million, US\$543 million and US\$560 million for the three years ending 31 December 2020, respectively.

As the maximum daily outstanding balances of deposits with interest for each of CGNPC Huasheng and CGN Finance did not take place concurrently, the Company confirms that the maximum daily outstanding balance of deposits placed by the Group with CGNPC Huasheng and CGN Finance, together with interest received for the period set out above was within the corresponding annual caps for such relevant period and that the annual cap for the year ending 31 December 2020 is not expected to be exceeded.

As at 31 December 2018, 31 December 2019 and 30 June 2020, approximately 94%, 94% and 97% of the Group's total cash and bank balance were placed under the Financial Services Framework Agreements, respectively.

LETTER FROM THE BOARD

Financial Services Annual Caps

As the nature of the services to be provided to the Group under the Financial Services Framework Agreements are similar, the estimated annual caps for the maximum daily outstanding balance of deposits to be placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements, together with the relevant interest to be received, for the three years ending 31 December 2023 have been aggregated and are as follows:

For the year ending 31 December 2021 <i>(US\$ million)</i>	For the year ending 31 December 2022 <i>(US\$ million)</i>	For the year ending 31 December 2023 <i>(US\$ million)</i>
610	640	680

Since the Group or the relevant subsidiary of the Group will not be required to provide any security on the loan services provided by CGNPC Huasheng and/or CGN Finance under the Financial Services Framework Agreements provided that the amount of the loans does not exceed the maximum amount of deposits placed by such subsidiary of the Group with CGNPC Huasheng and/or CGN Finance (as the case may be) and such loan transactions will be conducted on normal commercial terms or better, such transactions are fully exempt under Rule 14A.90 of the Listing Rules. No annual caps are therefore set for such loan transactions.

As at the Latest Practicable Date, the Group does not have any plan to engage CGNPC Huasheng and/or CGN Finance to provide other financial services to the Group. Therefore, no annual caps are set for such other financial services transactions.

In arriving at the above Financial Services Annual Caps, the following factors have been considered:

- (1) the total amount of deposits that the Group has placed with CGNPC Huasheng and CGN Finance for the two years ended 31 December 2019 and the six months ended 30 June 2020 and the Group's expected available free cash for the three years ending 31 December 2023 by taking into account (i) the actual cash balance of the Group as at 30 June 2020 of approximately US\$320 million; (ii) the expected cash flow to be generated from operation for the next three financial years; and (iii) the projected interest income of the Group for the three years ending 31 December 2023;

LETTER FROM THE BOARD

- (2) the external funding to be obtained for the expected expansion of the size of the Group (e.g. the establishment of new projects and/or the potential acquisitions of power projects) and to be placed under the Financial Services Framework Agreements;
- (3) the amount of deposits historically made by the Group with other independent commercial banks;
- (4) the utilization of the depository services when considered in the context of the other financial services (including the loan services and the settlement services) that are available to the Group can greatly facilitate deployment of surplus funds within the Group which can have a material impact as the business of the Group grows and its cash resources increase;
- (5) the strategies for treasury management of the Group, taking into account the business development plans and the financial needs of the Group; and
- (6) the possible favorable interest rate to be obtained by the Group from CGNPC Huasheng and CGN Finance compared with interest rate that could otherwise be obtained by placing deposits with independent commercial bank(s) or financial institution(s).

Financial effect of the deposit services under the Financial Services Framework Agreements

Given that the interest rates offered by CGNPC Huasheng or CGN Finance (as the case may be) to the Group in respect of deposit services shall not be less than those for the same type of deposit as may be offered by major independent third party commercial banks to the Group in Hong Kong or in the PRC, as appropriate, it is expected that there will most probably be an enhancement on the return of the surplus funds from the possible higher deposit interests from CGNPC Huasheng or CGN Finance. As such, the Company is of the view that the deposit services under the Financial Services Framework Agreements will have positive impacts on the Group's earnings.

LETTER FROM THE BOARD

Internal control measures for transactions under the Financial Services Framework Agreements

In order to safeguard the interests of the Group, each of the Financial Services Framework Agreements provides for the following monitoring and internal controls measures:

- (1) before the Company or any of its subsidiaries enters into any fixed deposit services with CGNPC Huasheng or CGN Finance (as the case may be), the finance department of the relevant member of the Group will, based on the then funding needs and the liquidity position of the Group, determine the type and terms of the deposits. The finance department will then obtain the rates and terms offered by CGNPC Huasheng or CGN Finance (as the case may be) and at least two other independent financial institutions in Hong Kong or in the PRC for deposits of similar type for the same period. After comparing the quotes, if the finance department confirms that the rates and terms offered by CGNPC Huasheng or CGN Finance (as the case may be) (i) are no less favorable to the Group than those offered by other independent financial institutions in Hong Kong or in the PRC; and (ii) comply with the terms and conditions of the Financial Services Framework Agreements, it will submit an application to the chief financial officer of the relevant member of the Group for consideration and if appropriate, approval. Records of the quotes, the recommendations and the approval notes will be kept by the Group for sample checking by the auditor;
- (2) the Group will, during the interim period after the expiry of the fixed deposit placed with CGNPC Huasheng or CGN Finance (as the case may be) until the withdrawal of the funds, place the current deposits with CGNPC Huasheng or CGN Finance (as the case may be). The finance department of the Group will monitor the comparable market interest rates from at least two independent financial institutions in Hong Kong or in the PRC to ensure that the interest rates offered by CGNPC Huasheng or CGN Finance (as the case may be) are no less favorable to the Group, and will withdraw the current deposits from CGNPC Huasheng or CGN Finance (as the case may be) if the interest rates they offer are less favorable to the Group;
- (3) each of CGNPC Huasheng and CGN Finance shall during the regular business hours on each business day provide the Company with a daily report on the status of the Group's deposits with CGNPC Huasheng and CGN Finance (as the case may be) to allow the Group to monitor and ensure that the aggregate daily deposit balance (including interests accrued thereon) with CGNPC Huasheng and CGN Finance do not exceed the Financial Services Annual Caps;

LETTER FROM THE BOARD

- (4) CGNPC Huasheng and CGN Finance shall set up and maintain, or procure the setting up and maintenance of, a secured and stable online system through which the relevant subsidiary of the Group which deposits money with CGNPC Huasheng or CGN Finance (as the case may be) can view the balance of such deposits at any time on any day;
- (5) CGNPC Huasheng and CGN Finance shall, in taking the deposits from the Group, not affect the normal use of the deposits by the Group. By no later than the seventh business day of each month, the relevant subsidiary of the Group which deposits money with CGNPC Huasheng or CGN Finance (as the case may be) will submit a report to CGNPC Huasheng or CGN Finance (as the case may be) on its funding requirements for the month to ensure that deployment by CGNPC Huasheng and CGN Finance of the funds deposited with them will not inhibit or restrict the ability of the relevant subsidiary of the Group from utilizing its funds, and if the relevant subsidiary of the Group informs CGNPC Huasheng or CGN Finance (as the case may be) of any fund utilization exceeding the reported funding requirement at any time, CGNPC Huasheng or CGN Finance (as the case may be) shall use its best efforts to procure that there will be sufficient funds for the relevant subsidiary of the Group to withdraw from and shall respond within one business day to confirm whether the requested utilization amount is available for withdrawal;
- (6) CGNPC Huasheng and CGN Finance shall facilitate any annual inspection by the Group of the management of the deposits placed by the Group with CGNPC Huasheng and CGN Finance respectively, including inspection of records of fund flows, interest rates and payments provided to the Group's deposits, the balances of the Group's deposits placed, and other information and records that may be required by the Company's auditor for the purpose of reporting on the relevant continuing connected transactions;
- (7) the Group will evaluate and assess the financial performance and position of CGNPC Huasheng and CGN Finance on a quarterly basis, based on its review of the management accounts of CGNPC Huasheng and CGN Finance;
- (8) each of CGNPC Huasheng and CGN Finance will provide its annual financial report and other documents and information to the Company at its request; and

LETTER FROM THE BOARD

- (9) in accordance with the Listing Rules, (i) the independent auditor of the Group will continue to report annually on the transactions under the Financial Services Framework Agreements to confirm, among other things, whether the transactions were entered into in accordance with the Financial Services Framework Agreements and the pricing policies of the Group; and (ii) the independent non-executive Directors will continue to report annually on whether the transactions under the Financial Services Framework Agreements are, among other things, on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. CONTINUING CONNECTED TRANSACTIONS

Renewal of the Operation and Management Services Framework Agreements

Introduction

References are made to the announcements of the Company dated 17 June 2015, 29 December 2016, 10 November 2017, 4 December 2019 and 10 November 2020, and the circular of the Company dated 30 November 2017 in relation to, among others, the Operation and Management Services (Solar Energy) Framework Agreement, the Operation and Management Services (Wind Energy) Framework Agreement, the Operation and Management Services (CGN Energy) Framework Agreement and the Operation and Management Services (Huamei Holding) Framework Agreement. The Company has served a notice to each of CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding to renew the term of the Operation and Management Services (Solar Energy) Framework Agreement, the Operation and Management Services (Wind Energy) Framework Agreement, the Operation and Management Services (CGN Energy) Framework Agreement and the Operation and Management Services (Huamei Holding) Framework Agreement, respectively, upon the expiry of their respective terms on 31 December 2020. Subject to the compliance of the Listing Rules by the Company, the Operation and Management Services Framework Agreements will be renewed for three financial years from the Renewal Date and shall continue up to and including 31 December 2023.

LETTER FROM THE BOARD

Furthermore, the Board has agreed with each of CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding to add a clause to the Operation and Management Services (Solar Energy) Framework Agreement, the Operation and Management Services (Wind Energy) Framework Agreement, the Operation and Management Services (CGN Energy) Framework Agreement and the Operation and Management Services (Huamei Holding) Framework Agreement, respectively, to give the Company, CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding (as the case may be) a right to terminate the respective Operation and Management Services Framework Agreements (as the case may be) by mutual agreement in writing among the parties with one month's advance notice.

The principal terms of the Operation and Management Services Framework Agreements are set out below.

(i) *Renewal of The Operation and Management Services (Solar Energy) Framework Agreement*

Date

17 June 2015

Parties

- (1) The Company; and
- (2) CGN Solar Energy

Services to be provided

Pursuant to the Operation and Management Services (Solar Energy) Framework Agreement, the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Solar Energy has interest in.

The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project.

LETTER FROM THE BOARD

The operation and management services may include assets and equity interest management, developing grid connection plans and strategies, developing pricing strategies, equipment procurement, maintenance and overhaul of equipment, capital and other financial management, provision of accounting and internal audit management services, provision of technical training, project planning and budgeting, budget management, costs management, performance targets management and setting of incentive schemes, etc. It is envisaged that the extent of the services to be provided by the relevant subsidiaries of the Company will depend on the percentage of interest the service recipient holds in a particular power project (for example, whether it is a majority interest or minority interest), and whether the services will be provided at the project company level or at the shareholder company level.

An operation and management services agreement, which will be prepared based on the terms provided in the Operation and Management Services (Solar Energy) Framework Agreement, will be entered into the services to be provided to the relevant power project, or the company which holds interest in a power project.

Management fees

The management fees payable by the service recipient to the service provider will be determined on a “cost-plus” basis, namely the service provider will charge a service fee that represents a 5% margin over the expenses that will be incurred by the service provider in providing the operation and management services to the service recipient. The “cost-plus” basis and the 5% margin were determined by the parties based on arm’s length negotiation with reference to the margin charged for similar services in the market, the margin charged by the Group for the provision of services by the Group in similar historical transactions and the PBOC benchmark lending and deposit interest rates.

LETTER FROM THE BOARD

Additional clause

The Company and CGN Solar Energy shall have the right to terminate the Operation and Management Services (Solar Energy) Framework Agreement by mutual agreement in writing among the parties with one month's advance notice.

The reasons for and benefits of the amendment to the Operation and Management Services (Solar Energy) Framework Agreement

The amendment to the Operation and Management Services (Solar Energy) Framework Agreement allows greater flexibility for the parties to manage the services provided pursuant to the Operation and Management Services (Solar Energy) Framework Agreement in accordance with the Group's operational needs as a whole since the original Operation and Management Services (Solar Energy) Framework Agreement does not provide for such right for mutual termination.

Duration

The Company has served a notice to CGN Solar Energy to renew the Operation and Management Services (Solar Energy) Framework Agreement for a term of three years from the Renewal Date to 31 December 2023, which is conditional upon the approval by the Independent Shareholders of the renewal of the Operation and Management Services (Solar Energy) Framework Agreement and Operation and Management Services Annual Caps. Save for the renewal of the term of the agreement and the amendment, the principal terms of the renewed Operation and Management Services (Solar Energy) Framework Agreement shall remain the same as the original Operation and Management Services (Solar Energy) Framework Agreement (including the calculation of the management fees).

(ii) Renewal of The Operation and Management Services (Wind Energy) Framework Agreement

Date

17 June 2015

Parties

- (1) The Company; and
- (2) CGN Wind Energy

LETTER FROM THE BOARD

Services to be provided

Pursuant to the Operation and Management Services (Wind Energy) Framework Agreement, the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Wind Energy has interest in.

The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project.

The operation and management services may include assets and equity interest management, developing grid connection plans and strategies, developing pricing strategies, equipment procurement, maintenance and overhaul of equipment, capital and other financial management, provision of accounting and internal audit management services, provision of technical training, project planning and budgeting, budget management, costs management, performance targets management and setting of incentive schemes, etc. It is envisaged that the extent of the services to be provided by the relevant subsidiaries of the Company will depend on the percentage of interest the service recipient holds in a particular power project (for example, whether it is a majority interest or minority interest), and whether the services will be provided at the project company level or at the shareholder company level.

An operation and management services agreement, which will be prepared based on the terms provided in the Operation and Management Services (Wind Energy) Framework Agreement, will be entered into for the services to be provided to the relevant power project, or the company which holds interest in a power project.

LETTER FROM THE BOARD

Management fees

The management fees payable by the service recipient to the service provider will be determined on a “cost-plus” basis, namely the service provider will charge a service fee that represents a 5% margin over the expenses that will be incurred by the service provider in providing the operation and management services to the service recipient. The “cost-plus” basis and the 5% margin were determined by the parties based on arm’s length negotiation with reference to the margin charged for similar services in the market, the margin charged by the Group for the provision of services by the Group in similar historical transactions and the PBOC benchmark lending and deposit interest rates.

Additional clause

The Company and CGN Wind Energy shall have the right to terminate the Operation and Management Services (Wind Energy) Framework Agreement by mutual agreement in writing among the parties with one month’s advance notice.

The reasons for and benefits of the amendment to the Operation and Management Services (Wind Energy) Framework Agreement

The amendment to the Operation and Management Services (Wind Energy) Framework Agreement allows greater flexibility for the parties to manage the services provided pursuant to the Operation and Management Services (Wind Energy) Framework Agreement in accordance with the Group’s operational needs as a whole since the original Operation and Management Services (Wind Energy) Framework Agreement does not provide for such right for mutual termination.

Duration

The Company has served a notice to CGN Wind Energy to renew the Operation and Management Services (Wind Energy) Framework Agreement for a term of three years from the Renewal Date to 31 December 2023, which is conditional upon the approval by the Independent Shareholders of the renewal of the Operation and Management Services (Wind Energy) Framework Agreement and Operation and Management Services Annual Caps. Save for the renewal of the term of the agreement and the amendment, the principal terms of the renewed Operation and Management Services (Wind Energy) Framework Agreement shall remain the same as the original Operation and Management Services (Wind Energy) Framework Agreement (including the calculation of the management fees).

LETTER FROM THE BOARD

(iii) Renewal of The Operation and Management Services (CGN Energy) Framework Agreement

Date

20 August 2014

Parties

- (1) The Company; and
- (2) CGN Energy

Principal terms

Pursuant to the Operation and Management Services (CGN Energy) Framework Agreement, the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Energy has interest in. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or the company which holds interest in the relevant power project.

The operation and management services may include assets and equity interest management, developing grid connection plans and strategies, developing pricing strategies, fuel procurement, equipment procurement, maintenance and overhaul of equipment, capital and other financial management, provision of accounting and internal audit management services, provision of technical training, project planning and budgeting, budget management, costs management, performance targets management and setting of incentive schemes, etc. It is envisaged that the extent of the services to be provided by the relevant subsidiaries of the Company will depend on the percentage of interest the service recipient holds in a particular power project (for example, whether it is a majority interest or minority interest), and whether the services will be provided at the project company level or at the shareholder company level.

LETTER FROM THE BOARD

An operation and management services agreement, which will be prepared based on the terms provided in the Operation and Management Services (CGN Energy) Framework Agreement and provide for detailed terms of each operation and management services arrangement, will be entered into for the services to be provided to each particular power project, or the company which holds interest in a power project.

Management fees

The management fees payable by the service recipient to the service provider will be determined on a “cost-plus” basis, namely the service provider will charge a service fee that represents a 5% margin over the expenses that will be incurred by the service provider in providing the operation and management services to the service recipient. The “cost-plus” basis and the 5% margin were determined by the parties based on arm’s length negotiation with reference to the margin charged for similar services in the market, the margin charged by the Group for the provision of services by the Group in similar historical transactions and the PBOC benchmark lending and deposit interest rates.

Additional clause

The Company and CGN Energy shall have the right to terminate the Operation and Management Services (CGN Energy) Framework Agreement by mutual agreement in writing among the parties with one month’s advance notice.

The reasons for and benefits of the amendment to the Operation and Management Services (CGN Energy) Framework Agreement

The amendment to the Operation and Management Services (CGN Energy) Framework Agreement allows greater flexibility for the parties to manage the services provided pursuant to the Operation and Management Services (CGN Energy) Framework Agreement in accordance with the Group’s operational needs as a whole since the original Operation and Management Services (CGN Energy) Framework Agreement does not provide for such right for mutual termination.

LETTER FROM THE BOARD

Duration

The Company has served a notice to CGN Energy to renew the Operation and Management Services (CGN Energy) Framework Agreement for a term of three years from the Renewal Date to 31 December 2023, which is conditional upon the approval by the Independent Shareholders of the renewal of the Operation and Management Services (CGN Energy) Framework Agreement and Operation and Management Services Annual Caps. Save for the renewal of the term of the agreement and the amendment, the principal terms of the renewed Operation and Management Services (CGN Energy) Framework Agreement shall remain the same as the original Operation and Management Services (CGN Energy) Framework Agreement (including the calculation of the management fees).

(iv) *Renewal of The Operation and Management Services (Huamei Holding) Framework Agreement*

Date

15 September 2014

Parties

- (1) The Company; and
- (2) Huamei Holding

Principal terms

Pursuant to the Operation and Management Services (Huamei Holding) Framework Agreement, the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which Huamei Holding has interest in. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or the company which holds interest in the relevant power project.

LETTER FROM THE BOARD

The operation and management services may include assets and equity interest management, developing grid connection plans and strategies, developing pricing strategies, fuel procurement, equipment procurement, maintenance and overhaul of equipment, capital and other financial management, provision of accounting and internal audit management services, provision of technical training, project planning and budgeting, budget management, costs management, performance targets management and setting of incentive schemes, etc. It is envisaged that the extent of the services to be provided by the relevant subsidiaries of the Company will depend on the percentage of interest the service recipient holds in a particular power project (for example, whether it is a majority interest or minority interest), and whether the services will be provided at the project company level or at the shareholder company level.

An operation and management services agreement, which will be prepared based on the terms provided in the Operation and Management Services (Huamei Holding) Framework Agreement and provide for detailed terms of each operation and management services arrangement, will be entered into for the services to be provided to each particular power project, or the company which holds interest in a power project.

Management fees

The management fees payable by the service recipient to the service provider will be determined on a “cost-plus” basis, namely the service provider will charge a service fee that represents a 5% margin over the expenses that will be incurred by the service provider in providing the operation and management services to the service recipient. The “cost-plus” basis and the 5% margin were determined by the parties based on arm’s length negotiation with reference to the margin charged for similar services in the market, the margin charged by the Group for the provision of services by the Group in similar historical transactions and the PBOC benchmark lending and deposit interest rates.

LETTER FROM THE BOARD

Additional clause

The Company and Huamei Holding shall have the right to terminate the Operation and Management Services (Huamei Holding) Framework Agreement by mutual agreement in writing among the parties with one month's advance notice.

The reasons for and benefits of the amendment to the Operation and Management Services (Huamei Holding) Framework Agreement

The amendment to the Operation and Management Services (Huamei Holding) Framework Agreement allows greater flexibility for the parties to manage the services provided pursuant to the Operation and Management Services (Huamei Holding) Framework Agreement in accordance with the Group's operational needs as a whole since the original Operation and Management Services (Huamei Holding) Framework Agreement does not provide for such right for mutual termination.

Duration

The Company has served a notice to Huamei Holding to renew the Operation and Management Services (Huamei Holding) Framework Agreement for a term of three years from the Renewal Date to 31 December 2023, which is conditional upon the approval by the Independent Shareholders of the renewal of the Operation and Management Services (Huamei Holding) Framework Agreement and Operation and Management Services Annual Caps. Save for the renewal of the term of the agreement and the amendment, the principal terms of the renewed Operation and Management Services (Huamei Holding) Framework Agreement shall remain the same as the original Operation and Management Services (Huamei Holding) Framework Agreement (including the calculation of the management fees).

LETTER FROM THE BOARD

Historical figures

The following table shows the amount of the management fees paid or payable to the Group under the Operation and Management Services Framework Agreements for the two years ended 31 December 2018 and 2019 and for the year ending 31 December 2020:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ending 31 December 2020
	<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
Management fees paid or payable to the Group	25.0	28.0	29.16 <i>(Note 1)</i>
Annual Caps	42.0 <i>(Note 2)</i>	46.0 <i>(Note 3)</i>	29.74 <i>(Note 4)</i>

Note 1: Since the management fees paid or payable to the Group for provision of the operation and management services under the Operation and Management Services Framework Agreements for the year ending 31 December 2020 is yet to be available, it is only an estimated figure. The management fees paid or payable to the Group for provision of the operation and management services under the Operation and Management Services Framework Agreements for the six months ended 30 June 2020 were approximately US\$10.8 million, which were subject to further adjustment during the annual audit of the Company. The Company will disclose the management fees paid or payable to the Group for provision of the operation and management services under the Operation and Management Services Framework Agreements for the year ending 31 December 2020 in its 2020 annual report.

The Company confirms that the relevant management fees for the year ending 31 December 2020 will not exceed its corresponding annual cap.

Note 2: This annual cap represents the aggregate of the annual caps of (i) the Operation and Management Services (Solar Energy) Framework Agreement; (ii) the Operation and Management Services (Wind Energy) Framework Agreement; (iii) the Operation and Management Services (CGN Energy) Framework Agreement; and (iv) the Operation and Management Services (Huamei Holding) Framework Agreement for the year ended 31 December 2018. Details of which please refer to the announcements of the Company dated 29 December 2016 and 10 November 2017. There is no standalone annual cap for the transaction amounts under each of the Operation and Management Services Framework Agreements for the year ended 31 December 2018.

LETTER FROM THE BOARD

Note 3: This annual cap represents the aggregate of the annual caps of (i) the Operation and Management Services (Solar Energy) Framework Agreement; (ii) the Operation and Management Services (Wind Energy) Framework Agreement; (iii) the Operation and Management Services (CGN Energy) Framework Agreement; and (iv) the Operation and Management Services (Huamei Holding) Framework Agreement for the year ended 31 December 2019. Details of which please refer to the announcement of the Company dated 29 December 2016 and 10 November 2017. There is no standalone annual cap for the transaction amounts under each of the Operation and Management Services Framework Agreements for the year ended 31 December 2019.

Note 4: This annual cap represents the aggregate of the annual caps of (i) the Operation and Management Services (Solar Energy) Framework Agreement; (ii) the Operation and Management Services (Wind Energy) Framework Agreement; (iii) the Operation and Management Services (CGN Energy) Framework Agreement; and (iv) the Operation and Management Services (Huamei Holding) Framework Agreement for the year ending 31 December 2020. Details of which please refer to the announcement of the Company dated 10 November 2017 and 4 December 2019. There is no standalone annual cap for the transaction amounts under each of the Operation and Management Services Framework Agreements for the year ending 31 December 2020.

Reasons for and benefits of the renewal of the Operation and Management Services Framework Agreements

The Operation and Management Services Framework Agreements have been entered into as a measure to help the Company monitor the status and performance of some of the existing retained business of the CGN Group and, therefore, help mitigate the concern of potential competition. By providing the services under the Operation and Management Services Framework Agreements, the Group shall have some degree of control and involvement in the relevant power projects which will enable the Group to understand and monitor the managed projects of the CGN Group and thereby help the Company assess whether it will make commercial sense to exercise the right granted by CGN under the non-competition deed executed by CGN to acquire those projects and when it will be an appropriate time to do so.

The Directors (including the independent non-executive Directors) consider that the terms of the Operation and Management Services Framework Agreements (including the amendments) are in the ordinary and usual course of business of the Group, on normal commercial terms and, together with the Operation and Management Services Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Operation and Management Services Annual Caps

As the nature of the services to be provided under the Operation and Management Services Framework Agreements are similar, the Operation and Management Services Annual Caps for the management fees payable to the Company under the Operation and Management Services Framework Agreements shall be aggregated pursuant to Rules 14.22 and Rule 14A.81 of the Listing Rules. The Operation and Management Services Annual Caps for the management fees payable to the Company under the Operation and Management Services Framework Agreements for the three years ending 31 December 2023 are set out as follows:

For the year ending 31 December 2021 <i>(US\$ million)</i>	For the year ending 31 December 2022 <i>(US\$ million)</i>	For the year ending 31 December 2023 <i>(US\$ million)</i>
40.0	43.0	47.0

In arriving at the Operation and Management Services Annual Caps, the following factors have been considered:

- (1) the gross installed capacity, commercial operation date and the expected installed capacity of the relevant power projects to be managed under the Operation and Management Services Framework Agreements;
- (2) CGN Solar Energy's, CGN Wind Energy's, CGN Energy's and Huamei Holding's interest in each of the relevant power projects;
- (3) the historical and estimated costs and expenses, including staff costs, general and administrative expenses and overheads, for the operation of the relevant power projects; and
- (4) the historical aggregate management fees paid or payable under the existing Operation and Management Services Framework Agreements

Information on relevant parties

The Company

The Company is a diversified independent power producer in Asia in terms of fuel type and geography, with a portfolio of gas-fired, coal-fired, oil-fired, wind, solar, hydro, cogen and fuel cell power generation projects in the PRC and Korea.

LETTER FROM THE BOARD

CGN Energy

CGN Energy is a company established under the laws of the PRC and is principally engaged in investment holding. CGN Energy is a direct wholly-owned subsidiary of CGN.

CGN Wind Energy

CGN Wind Energy is a non-wholly owned subsidiary of CGN incorporated in the PRC. As at the Latest Practicable Date, CGN Wind Energy is owned as to approximately 63.6% by CGN and 36.4% by Shenzhen CGN Fengtai Investment Co., Ltd.* (深圳中廣核風太投資有限公司), respectively. It is principally engaged in the development and operations of wind power plants in the PRC. For details of its ultimate beneficial owners, please refer to paragraphs headed “CGN” and “Shenzhen CGN Fengtai Investment Co., Ltd.*” below.

CGN Solar Energy

CGN Solar Energy is a non-wholly owned subsidiary of CGN incorporated in the PRC. As at the Latest Practicable Date, CGN Solar Energy is owned as to approximately 64.4% by CGN and approximately 35.6% by Shenzhen CGN Fengtai Investment Co., Ltd.* (深圳中廣核風太投資有限公司), respectively. It is principally engaged in the development and operations of solar power plants in the PRC. For details of its ultimate beneficial owners, please refer to paragraphs headed “CGN” and “Shenzhen CGN Fengtai Investment Co., Ltd.*” below.

CGNPC Huasheng

CGNPC Huasheng is a wholly-owned subsidiary of CGN which was incorporated in Hong Kong in January 2010 by the CGN Group for providing financial related services to members of the CGN Group outside the PRC including Hong Kong. CGNPC Huasheng is a licensed money lender in Hong Kong but not a licensed deposit-taking company or an authorized institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) in Hong Kong.

CGN Finance

CGN Finance is a non-wholly owned subsidiary of CGN which was established in the PRC in July 1997 by the CGN Group for providing financial related services to members of the CGN Group in the PRC. CGN Finance is a non-banking financial institution subject to the regulations of the PBOC and the China Banking and Insurance Regulatory Commission in the PRC. As at the Latest Practicable Date, CGN Finance is owned as to approximately 66.7% by CGN, 30% by China Nuclear Power Engineering Co., Ltd. (中廣核工程有限公司), and approximately 3.3% by CGN Services Group Co., Ltd. (中廣核服務集團有限公司), respectively. For details of its ultimate beneficial owners, please refer to paragraphs headed “China Nuclear Power Engineering Co., Ltd.” and “CGN Services Group Co., Ltd.” below.

LETTER FROM THE BOARD

Huamei Holding

Huamei Holding is a company incorporated under the laws of Bermuda and is principally engaged in investment holding. Huamei Holding is a wholly-owned subsidiary of CGN.

CGN

CGN is a state-owned enterprise established in the PRC and the controlling shareholder of the Company. The CGN Group is principally engaged in the generation and sale of power, construction, operation and management of nuclear, clean and renewable power projects. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the equity interest of CGN is held as to 90% by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and 10% by Guangdong Hengjian Investment Holding Co., Ltd. (廣東恒健投資控股有限公司), a Guangdong Provincial Government owned enterprise which is principally engaged in state-owned assets operation and management within the scope of authority, state-owned equity interests operation and management, entrusted management, capital operations, funds investment and management, equity interests investment and management, financial investment, finance leasing, insurance brokerage, industry research as well as investment and consultation business for conducting the above-mentioned businesses.

Shenzhen CGN Fengtai Investment Co., Ltd.*

Shenzhen CGN Fengtai Investment Co., Ltd.* (深圳中廣核風太投資有限公司) is a non-wholly owned subsidiary of CGN. It is principally engaged in investment of new energy. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the equity interest of Shenzhen CGN Fengtai Investment Co., Ltd.* is held as to 51% by CGN and 49% by Shenzhen CGN Hengjian No. 1 New Energy Partnership Enterprise (Limited Partnership)(深圳中廣核恒健一號新能源合夥企業(有限合夥)), a limited partnership established in the PRC, which is owned as to 1% by CGN and 99% by Guangdong Hengjian Investment Holding Co., Ltd. (廣東恒健投資控股有限公司), a Guangdong Provincial Government owned enterprise which is principally engaged in state-owned assets operation and management within the scope of authority, state-owned equity interests operation and management, entrusted management, capital operations, funds investment and management, equity interests investment and management, financial investment, finance leasing, insurance brokerage, industry research as well as investment and consultation business for conducting the above-mentioned businesses.

LETTER FROM THE BOARD

China Nuclear Power Engineering Co., Ltd.

China Nuclear Power Engineering Co., Ltd. (中廣核工程有限公司) is a non-wholly owned subsidiary of CGN incorporated in the PRC. It is principally engaged in contracting of nuclear power and civil construction projects, and engineering construction technical services and consultation.

CGN Services Group Co., Ltd.

CGN Services Group Co., Ltd. (中廣核服務集團有限公司) is a wholly-owned subsidiary of CGN incorporated in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date it is principally engaged in property management services.

Approval by the Board

None of the Directors has a material interest in the CCT Agreements. As the Overlapping Directors are directors and/or senior management of certain members of the CGN Group, for good corporate governance, they have abstained from voting on the resolutions of the Board approving the CCT and Annual Caps.

Listing Rules Implications

As at the Latest Practicable Date, CGN is a controlling shareholder indirectly holding approximately 72.29% of the issued share capital of the Company. Therefore, CGNPC Huasheng, CGN Finance, CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding are subsidiaries of CGN, and are therefore connected persons of the Company under the Listing Rules.

As the nature of the services to be provided to the Group under the Financial Services Framework Agreements are similar, the Financial Services Annual Caps for the maximum daily outstanding balance of deposits to be placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements, together with the relevant interest to be received, shall be aggregated pursuant to Rules 14.22 and Rule 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratios in relation to the Financial Services Annual Caps are 25% or more, the transactions contemplated under the Financial Services Framework Agreements constitute major transactions and continuing connected transactions of the Company, which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

LETTER FROM THE BOARD

As the nature of the services to be provided under the Operation and Management Services Framework Agreements are similar, the Operation and Management Services Annual Caps for the management fees payable to the Company under the Operation and Management Services Framework Agreements shall be aggregated pursuant to Rules 14.22 and Rule 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratios in relation to the Operation and Management Services Annual Caps for the Operation and Management Services Framework Agreements are, on an annual and aggregate basis, 5% or more, the continuing connected transactions contemplated under the Operation and Management Services Framework Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, respectively.

4. SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Special General Meeting is set out on pages 83 to 88 of this circular. Pursuant to the Listing Rules and the Bye-laws, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which related to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the note to Rule 13.39(4) of the Listing Rules. An announcement on the poll results will be published by the Company after the Special General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

In view of the interests of CGN in the transactions contemplated under the CCT Agreements, CGN and its associates will abstain from voting in respect of the relevant resolutions to be proposed at the Special General Meeting to approve (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps. As at the Latest Practicable Date, CGN and its associates together held 3,101,800,000 Shares, representing approximately 72.29% of the total issued share capital of the Company.

A form of proxy for use at the Special General Meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cgnne.com>). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Special General Meeting, or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

5. RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on pages 42 to 43 of this circular which contains its recommendation to the Independent Shareholders; and
- (b) the letter from the Independent Financial Adviser set out on pages 44 to 73 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders.

The Independent Board Committee, having considered (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps, and taken into account the advice of the Independent Financial Adviser, considers that the renewal of these agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms thereof, together with their respective annual caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolutions approving (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps at the Special General Meeting.

Taking into account the letter from the Independent Board Committee and all factors stated above as a whole, the Directors (excluding the Overlapping Directors) are of the view that (i) the renewal of the Financial Services Framework Agreements; and (ii) the renewal of the Operation and Management Services Framework Agreements are in the ordinary and usual course of business of the Group, on normal commercial terms, and that the terms thereof, together with the Financial Services Annual Caps and the Operation and Management Services Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the Overlapping Directors) recommend the Independent Shareholders to vote in favor of the resolutions approving (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps at the Special General Meeting.

LETTER FROM THE BOARD

6. FURTHER INFORMATION

Your attention is also drawn to the financial information set out in Appendix I and the general information set out in Appendix II to this circular.

Yours faithfully,
For and on behalf of the Board
CGN New Energy Holdings Co., Ltd.
Li Yilun
President and Executive Director



CGN NEW ENERGY HOLDINGS CO., LTD.

中國廣核新能源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1811)

25 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE FINANCIAL SERVICES
FRAMEWORK AGREEMENTS
AND
(2) CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE OPERATION AND MANAGEMENT SERVICES
FRAMEWORK AGREEMENTS**

We refer to the circular of the Company dated 25 November 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps. Details of its advice, together with the principal factors that have been taken into consideration in arriving at such, are set out in its letter set out on pages 44 to 73 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the letter from the Board set out on pages 7 to 41 of the Circular, the financial information of the Group set out in Appendix I to the Circular and the general information set out in Appendix II to the Circular.

Having considered (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps, and taken into account the advice of the Independent Financial Adviser, we consider that the renewal of the Financial Services Framework Agreements and the Operation and Management Services Framework Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group and that the terms thereof, together with the Financial Services Annual Caps and the Operation and Management Services Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the Special General Meeting to approve (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps.

Yours faithfully,

Mr. Wang Minhao

Mr. Yang Xiaosheng

Mr. Leung Chi Ching Frederick

Independent Board Committee

LETTER FROM ALTUS CAPITAL LIMITED

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions as contemplated under the Financial Services Framework Agreements and the Operation and Management Services Framework Agreements, which has been prepared for the purpose of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

25 November 2020

To the Independent Board Committee and the Independent Shareholders

CGN New Energy Holdings Co., Ltd

15/F Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

**(1) MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE FINANCIAL SERVICES
FRAMEWORK AGREEMENTS
AND
(2) CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF THE OPERATION AND MANAGEMENT SERVICES
FRAMEWORK AGREEMENTS**

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 CCT and Annual Caps. Details of the CCT and Annual Caps and the terms of the CCT Agreements are set out in the “Letter from the Board” contained in the circular of the Company dated 25 November 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM ALTUS CAPITAL LIMITED

The Financial Services Framework Agreements

Reference is made to the announcement of the Company dated 10 November 2020 and the circulars of the Company dated 30 November 2017 and 20 April 2015 in relation to, among others, the Financial Services Framework Agreements.

In 2014, the Company entered into the Financial Services (CGNPC Huasheng) Framework Agreement and Financial Services (CGN Finance) Framework Agreement with CGNPC Huasheng and CGN Finance respectively, which were subsequently renewed for two further terms from 30 May 2015 to 31 December 2017, and from 1 January 2018 to 31 December 2020.

The Company has served a notice to each of CGNPC Huasheng and CGN Finance to renew the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement respectively, upon the expiry of their respective term on 31 December 2020. Subject to the compliance of the Listing Rules by the Company, the Financial Services Framework Agreements will be renewed for another three financial years from the Renewal Date and shall continue up to and including 31 December 2023.

Pursuant to the Financial Services Framework Agreements, the Group may from time to time deposit money with CGNPC Huasheng and CGN Finance in their respective jurisdictions. The Group may also from time to time request CGNPC Huasheng and CGN Finance to provide loan services, including the provision of loan facilities, credit lines, revolving facilities, guarantees, bill acceptance and bill discount services, and finance leasing services, as well as intra-group or external settlement, transmittance or foreign exchange services. As at the Latest Practicable Date, the Company had outstanding loan balance of US\$250 million due to CGNPC Huasheng and approximately RMB2.4 billion due to CGN Finance. In the event that the Group will require any loan or other financial services from CGNPC Huasheng or CGN Finance under the Financial Services Framework Agreements for the three years ending 31 December 2023, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules accordingly.

As at the Latest Practicable Date, the Group does not have any plan to engage CGNPC Huasheng and/or CGN Finance to provide other financial services to the Group.

The Operation and Management Services Framework Agreements

Reference is made to the announcements of the Company dated 10 November 2020, 4 December 2019 and 17 June 2015, and the circular of the Company dated 30 November 2017 in relation to, among others, the Operation and Management Services Framework Agreements.

LETTER FROM ALTUS CAPITAL LIMITED

In 2014, the Company entered into the Operation and Management Services (CGN Energy) Framework Agreement and the Operation and Management Services (Huamei Holding) Framework Agreement with CGN Energy and Huamei Holding respectively, which were subsequently renewed for two further terms from 1 January 2017 to 31 December 2019 and 1 January 2020 to 31 December 2020.

In 2015, the Company also entered into the Operation and Management Services (Solar Energy) Framework Agreement and the Operation and Management Services (Wind Energy) Framework Agreement with CGN Solar Energy and CGN Wind Energy respectively, which were subsequently renewed for one further term from 1 January 2018 to 31 December 2020.

The Company has served a notice to each of CGN Energy, Huamei Holding, CGN Solar Energy and CGN Wind Energy to renew the Operation and Management Services (CGN Energy) Framework Agreement, the Operation and Management Services (Huamei Holding) Framework Agreement, the Operation and Management Services (Solar Energy) Framework Agreement and the Operation and Management Services (Wind Energy) Framework Agreement, respectively, upon the expiry of their respective term on 31 December 2020. Subject to the compliance of the Listing Rules by the Company, the Operation and Management Services Framework Agreements will be renewed for another three financial years from the Renewal Date and shall continue up to and including 31 December 2023.

Pursuant to the Operation and Management Services Framework Agreements, the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Energy, Huamei Holding, CGN Solar Energy or CGN Wind Energy, has interests in. The operation and management services may include assets and equity interest management, developing grid connection plans and strategies, developing pricing strategies, equipment procurement, maintenance and overhaul of equipment, capital and other financial management, provision of accounting and internal audit management services, provision of technical training, project planning and budgeting, budget management, costs management, performance targets management and setting of incentive schemes, etc.

Listing Rules implications

As at the Latest Practicable Date, CGN is a controlling shareholder indirectly holding approximately 72.29% of the issued share capital of the Company. CGNPC Huasheng, CGN Finance, CGN Energy, Huamei Holding, CGN Solar Energy and CGN Wind Energy are subsidiaries of CGN, and therefore are connected persons of the Company under the Listing Rules.

LETTER FROM ALTUS CAPITAL LIMITED

Since one or more of the applicable percentage ratios in relation to the Financial Services Annual Caps exceed 25%, the transactions contemplated under the Financial Services Framework Agreements constitute major transactions and continuing connected transactions of the Company, which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A and Chapter 14 of the Listing Rules, respectively.

Also, as one or more of the applicable percentage ratios in relation to the aggregate of the Operation and Management Services Annual Caps under the Operation and Management Services Framework Agreement are, on an annual and aggregate basis, exceed 5%, the continuing connected transactions contemplated under the Operation and Management Services Framework Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. WANG Minhao, Mr. YANG Xiaosheng and Mr. LEUNG Chi Ching Frederick, has been established to advise the Independent Shareholders as to (i) whether the terms of the renewal of the CCT Agreements are fair and reasonable; (ii) whether the Financial Services Annual Caps and the Operation and Management Services Annual Caps are fair and reasonable; (iii) whether the transactions contemplated under the CCT Agreements will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of independent third parties, and are in the interests of the Company and its Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the ordinary resolution(s) to be proposed at the SGM, taking into account the recommendation of the Independent Financial Adviser.

INDEPENDENT FINANCIAL ADVISER

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give recommendations to the Independent Board Committee and the Independent Shareholders (i) whether the terms of the renewal of the CCT Agreements are fair and reasonable; (ii) whether the Financial Services Annual Caps and the Operation and Management Services Annual Caps are fair and reasonable; (iii) whether the transactions contemplated under the CCT Agreements will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of independent third parties, and are in the interests of the Company and its Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the ordinary resolution(s) to be proposed at the SGM.

LETTER FROM ALTUS CAPITAL LIMITED

We have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the CCT and Annual Caps is at market level and not conditional upon successful passing of the resolution(s) to be proposed at the SGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, amongst others, (i) the Financial Services Framework Agreements; (ii) the Operation and Management Services Framework Agreements; (iii) the renewal notices served by the Company to CGNPC Huasheng, CGN Finance, CGN Energy, Huamei Holding, CGN Solar Energy and CGN Wind Energy respectively; (iv) the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”); and (v) other information contained or referred to in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM ALTUS CAPITAL LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

I. Renewal of the Financial Services Framework Agreements

1. *Background information of the Group, the CGN Group and parties involved in the Financial Services Framework Agreements*

1.1. *The Group*

The Group is mainly engaged in the operation of power plants in PRC and Korea with a portfolio of assets comprising wind, solar, gas-fired, coal-fired, hydro, cogen and fuel cell projects as well as steam project.

1.2. *The CGN Group*

CGN is a state-owned enterprise established in the PRC and a controlling shareholder of the Company. The CGN Group is principally engaged in the generation and sale of power, construction, operation and management of nuclear, clean and renewable power project.

1.3. *CGNPC Huasheng*

CGNPC Huasheng was incorporated in Hong Kong in January 2010 by the CGN Group for providing financial related services to members of the CGN Group outside the PRC including Hong Kong. CGNPC Huasheng is a licensed money lender in Hong Kong but not a licensed deposit-taking company or an authorised institution under the Banking Ordinance (Cap. 155 of the laws of Hong Kong) in Hong Kong.

As CGNPC Huasheng is not a licensed deposit-taking company in Hong Kong, the deposit arrangement of the Group with CGNPC Huasheng will be arranged through commercial bank(s) or other licensed financial institution(s) under the name of CGNPC Huasheng.

1.4. *CGN Finance*

CGN Finance was established in the PRC in July 1997 by the CGN Group for providing financial related services to members of the CGN Group in the PRC. CGN Finance is a non-banking financial institution subject to the regulations of the PBOC and China Banking Regulatory Commission in the PRC.

LETTER FROM ALTUS CAPITAL LIMITED

2. Reasons for the renewal of the Financial Services Framework Agreements

The arrangement contemplated under the Financial Services Framework Agreements aims to optimise the efficient use of cash resources among members of the Group and the CGN Group. In essence, the role of CGNPC Huasheng and CGN Finance is similar to a cash pooling centre which enables surplus funds from subsidiary companies within the Group and the CGN Group to be pooled together for deployment to cover the funding needs among members of the CGN Group (including the Group).

Also, CGNPC Huasheng and CGN Finance have gained a thorough understanding on the operations and development of the Group over the past six years during which they provided the same deposit services to the Group. According to the Management, CGNPC Huasheng and CGN Finance have a better and more efficient communication with the Group compared to other commercial banks and independent financial institutions to serve the financial needs of the Group.

Given that (i) the Financial Services Framework Agreements clearly defines the operational framework with regards to the provision of financial services by CGNPC Huasheng and CGN Finance to the Group; (ii) such arrangements as contemplated under the Financial Services Framework Agreements provide an alternative channel and flexibility for the Group to manage its cash resources in addition to other independent commercial banks and financial institutions; (iii) CGNPC Huasheng and CGN Finance have established strong relationships with the Group and CGN Group through years of cooperation which enables expedient and efficient services to the Group as compared to other independent commercial banks and financial institutions; (iv) the main objectives of CGNPC Huasheng and CGN Finance are to provide financial and treasury services to member units of CGN Group (including the Group) as they will better understand the needs of the Group as compared to other independent commercial banks and financial institutions; and (v) the Group will require financial services to conduct its daily operations irrespective of whether the service providers are independent commercial banks and financial institutions or connected parties such as CGNPC Huasheng and CGN Finance, we consider that the renewal of the Financial Services Framework Agreements is fair and reasonable, is in the interests of the Company and Shareholders as a whole and in the ordinary and usual course of business of the Company.

LETTER FROM ALTUS CAPITAL LIMITED

3. Principal terms of the Financial Services Framework Agreements

When assessing the fairness and reasonableness of the terms of the Financial Services Framework Agreements, we have considered the principal terms of the Financial Services Framework Agreements summarised below. Please refer to the paragraphs headed “Renewal of the Financial Services (CGNPC Huasheng) Framework Agreement” and “Renewal of the Financial Services (CGN Finance) Framework Agreement” in the “Letter from the Board” set out in the Circular for further details.

3.1 Interest rate

Pursuant to the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement, the Group may from time to time deposit money with CGNPC Huasheng and CGN Finance at an interest rate not less than the highest interest rate for the same type of deposit as may be offered in the respective jurisdictions by (i) major independent third party commercial banks to the Group; and (ii) CGNPC Huasheng and CGN Finance to other subsidiaries, associates or affiliated companies of CGN, respectively.

We have obtained and reviewed (i) 15 sample monthly statements of the Group’s depository accounts with CGNPC Huasheng and the relevant interest rate comparison documents during the two years ended 31 December 2018 and the six months ended 30 June 2020; and (ii) 13 deposit reply slips from CGN Finance and the relevant interest rate comparison documents during the two years ended 31 December 2018 and the six months ended 30 June 2020. We noted that the deposit interest rates offered by CGNPC Huasheng and CGN Finance to the Group are similar to or not less favourable than those offered by other commercial banks in the same period for the same types of deposits.

Thus, we believe the abovementioned term relating to the interest rates to be offered by CGNPC Huasheng and CGN Finance to the Group under the deposit services as contemplated under the Financial Service Framework Agreements is fair and reasonable, no less favourable than those offered by independent third party financial institutions and is in the interests of the Company and its Shareholders as a whole.

Comparable analysis

To access whether the interest rate to be offered by CGNPC Huasheng and CGN Finance to the Group under the deposit services as contemplated under the Financial Services Framework Agreements is on normal commercial terms or better, we, based on our best endeavour and as far as we are aware, have identified an exhaustive list of 22 comparable companies (the “**Financial Services Comparable Companies**”) below which (i) are listed on Main Board of the Stock Exchange; (ii) have similar deposit arrangements as those of the Group set out above with connected persons; and (iii) the subject matter was disclosed in announcements published in 2020 up to the Latest Practicable Date.

Date of announcement	Name of company	Stock code	Interest rate for the deposit services
17 November 2020	Changhong Jiahua Holdings Limited	3991	The interest rate shall not be less than (a) the minimum interest rate prescribed by the PBOC at such relevant time, and (b) the interest rate available to the subsidiary of the company from other independent major commercial banks in the PRC in respect of the same type of deposits.
28 October 2020	Poly Culture Group Corporation Limited	3636	The interest rate should not be lower than the interest rate offered by major domestic commercial banks in the PRC for the deposit with the same type and term, and should not exceed the upper limit of the interest rate stipulated by PBOC.
27 October 2020	China Longyuan Power Group Corporation Limited	916	The interest rates shall not, in principle, be lower than the interest rates for deposits of the same type offered to members of the group by the major domestic commercial banks (i.e. the four major state-owned banks) and shall be determined in accordance with normal commercial terms.

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Interest rate for the deposit services
23 October 2020	China BlueChemical Ltd.	3983	The interest rates for such deposits are determined in accordance with the deposit benchmark interest rates for relevant financial institutions as promulgated by the PBOC from time to time, and shall be no less than the comparable deposit interest rate offered by major financing banks of the company.
22 October 2020	Sinopharm Group Co. Ltd.	1099	Interest rates shall be in compliance with the requirements on interest rates prescribed by the PBOC for such type of deposits, and shall not be lower than each of (i) the interest rates offered by the deposit-taking connected person to the ultimate controlling shareholder of the company and other members of the group for the same category of deposits; and (ii) the interest rates offered to the company and/or its subsidiaries by general commercial banks for the same category of deposits.
20 October 2020	China Datang Corporation Renewable Power Co., Limited	1798	The deposit interest rate shall not be lower than the equivalent deposit interest rate as offered by the independent domestic commercial banks in the PRC.

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Interest rate for the deposit services
28 August 2020	Air China Limited	753	<p>The interest rates shall</p> <p>(i) be in compliance with the requirements on interests prescribed by PBOC for such type of deposits; (ii) be not lower than the interest rates charged by state-owned commercial banks to the group for the same type of services under the same conditions; and (iii) be not lower than the interest rates charged by the deposit-taking connected person to other member companies of the enterprise group of which the substantial shareholder of the company is the parent company for the same type of services under the same conditions.</p>
27 August 2020	Aluminum Corporation of China Limited	2600	<p>The interest rate for the deposits shall be no lower than the interest rate for the same type of deposit announced by PBOC for the same period, no lower than the interest rate for the same type of deposit offered by major commercial banks in the PRC for the same period, and no lower than the interest rate for the same type of deposit of the controlling shareholder of the company and other members of the group with the deposit-taking connected person for the same period.</p>
14 August 2020	Dongjiang Environmental Company Limited	895	<p>The deposit rate is determined based on the RMB deposit benchmark rate promulgated by the PBOC, and shall not be lower than the deposit rate available to the group from major commercial banks and financial institutions of the PRC for the same period and of similar nature.</p>
22 July 2020	Dongyue Group Limited	189	<p>The rate shall (i) be determined based on the interest rate prescribed by the PBOC from time to time for the same type of deposit; and (ii) shall not be lower than the prevailing interest rates offered by major commercial banks in the PRC for the same type of deposit.</p>

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Interest rate for the deposit services
17 July 2020	Joy City Property Limited	207	The interest rate of the relevant RMB depository accounts is with reference to the RMB benchmark deposit interest rates published by the PBOC and no less than the deposit interest rates offered by other financial institutions in the PRC based on similar terms.
8 July 2020	China Communications Construction Company Limited	1800	The cap and floor deposit rates shall be in accordance with requirements of the PBOC on deposits of the same term and same category and shall not be higher than the interest rates applicable to deposit services of the same term and same category provided by major domestic commercial banks.
3 July 2020	Panda Green Energy Group Limited	686	The terms (including the interest rate and commission charged) shall be no less favourable than those offered by independent commercial banks in the PRC for provision of similar services to the group, and the deposit interest shall not be lower than the deposit interest rate of the same level for the same period as promulgated by the PBOC.
25 May 2020	COSCO Shipping International (Hong Kong) Co., Ltd.	517	The interest rate shall be no lower than (i) the floor rate for the same category of deposit services stipulated by PBOC from time to time; (ii) the rate for the same category of deposit services offered by independent commercial banks in the PRC; and (iii) the rate for the same category and same class of deposit services offered to other member company(ies) of the parent group.

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Interest rate for the deposit services
19 May 2020	China Electronics Optics Valley Union Holding Company Limited	798	The interest rate shall, subject to the compliance of the relevant requirements of the PBOC, be no less than interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same duration.
22 April 2020	China Isotope & Radiation Corporation	1763	The deposit interest rates shall not be lower than (i) the deposit interest rates of a similar category of deposit in the same period promulgated by PBOC; or (ii) the public interest rates of a similar category of deposit in the same period provided by major independent commercial banks in the PRC.
16 April 2020	Shandong Gold Mining Co., Ltd.	1787	The interest rates shall be (i) on normal commercial terms; (ii) no less than benchmark interest rates for the same period published by the PBOC or interest rates for comparable deposit for the same period provided by other major domestic commercial banks; and (iii) no less than interest rates for comparable deposit for the same period applicable to the group provided by the deposit-taking connected person.
27 March 2020	YCIH Green High-Performance Concrete Company Limited	1847	The interest rates shall not be lower than the interest rates in respect of the same type of deposit service provided by major domestic commercial banks in the PRC to the group in the same period.
27 March 2020	China Shenhua Energy Company Limited	1088	The interest rates for deposits shall be no less than the interest rate paid by major commercial banks in the PRC for comparable deposits services provided to the group and shall be negotiated in normal commercial terms.

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Interest rate for the deposit services
18 March 2020	China Jinmao Holdings Group Limited	817	The interest rates shall not be lower than the benchmark interest rates for deposits promulgated by the PBOC from time to time for deposits of the same type and duration, or the interest rates for deposits offered by any independent commercial banks in the PRC for deposits of the same type and duration, whichever is higher.
27 February 2020	Inspur International Limited	596	The interest rate shall not be lower than those for most of independent commercial banks in PRC.
22 January 2020	Puxing Clean Energy Limited	90	The interest rate shall be determined on the basis of the base interest rate offered by the PBOC for the same period, taking into consideration the interest rates for the same type of deposit for the same period offered by other commercial banks in the PRC to the group, subject to compliance with the relevant requirements of the relevant regulatory bodies.

Similar to the terms in relation to the interest rates to be offered by CGNPC Huasheng and CGN Finance to the Group under the deposit services as contemplated under the Financial Services Framework Agreements, interest rates for similar deposit arrangements of the Financial Services Comparable Companies shall not be less favourable than the prevailing interest rate offered by PBOC or other commercial banks during the same period. Therefore, we are of the view that the terms of the Financial Services Framework Agreements are generally in line with market practices and the transactions contemplated thereunder are on normal commercial terms.

LETTER FROM ALTUS CAPITAL LIMITED

3.2 Right to early withdraw

We noted from the Financial Services Framework Agreements that the Group may early withdraw its fixed deposits in CGNPC Huasheng and CGN Finance, together with any interest accrued and other receivables, before the deposit maturity after a reasonable written notice is given to CGNPC Huasheng and CGN Finance.

In the event of breach of any terms and conditions of the Financial Services Framework Agreements by CGNPC Huasheng or CGN Finance, the Company is entitled to notify CGNPC Huasheng and/or CGN Finance that all or part of the deposits placed with CGNPC Huasheng and/or CGN Finance are immediately mature and request CGNPC Huasheng and/or CGN Finance to repay such amount, together with interest and all other fees payable immediately to the Group.

In view of this, we are of the view that such term providing the Company the flexibility to withdraw its deposit from CGN Finance or CGNPC Huasheng before maturity or in the event of breach of any terms and conditions of the Financial Services Framework Agreements, is fair and reasonable, is no less favourable than those offered by independent financial institutions and is in the interests of the Company and its Shareholders as a whole.

3.3 Right to utilise the deposit service at the Group's discretion

The Financial Services Framework Agreements do not prevent the Group from utilising the depository services provided by third party financial institutions or commercial banks. The Group has absolute discretion as to whether, to utilise the depository services provided by CGNPC Huasheng and CGN Finance. Since the Company has the flexibility to decide whether to utilise the deposit services of CGNPC Huasheng or CGN Finance, we consider that this term is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3.4 Right to automatic rollover the deposit arrangements

Terms of the Financial Services (CGNPC Huasheng) Framework Agreement and Financial Services (CGN Finance) Framework Agreement are materially the same except that CGNPC Huasheng shall provide the requisite services to the relevant subsidiary of the Group which places deposits with it respectively to allow such relevant subsidiary to choose to automatically rollover time deposits arrangements on the same terms and for the same duration without further instructions and authorisation, unless and until CGNPC Huasheng receives instructions to terminate such automatic rollover arrangements.

LETTER FROM ALTUS CAPITAL LIMITED

Such standing instruction arrangement for fixed deposits is a common market practice for independent commercial banks and financial institutions in Hong Kong, we are of the view that such term is no less favourable than terms available from other independent commercial banks or financial institutions, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

3.5 Termination of the Financial Services Framework Agreements

The Board has agreed with each of CGNPC Huasheng and CGN Finance to add a clause to the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement, respectively, to give the Company, CGNPC Huasheng and CGN Finance (as the case may be) a right to terminate the respective Financial Services Framework Agreements (as the case may be) by mutual agreement in writing among the parties with one month's advance notice.

Given that this is mutually applied to the Company and each of CGNPC Huasheng and CGN Finance, we are of the view that such term is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.6 Section summary

Given that (i) the Group will be offered with deposit rate no less favourable than those offered by independent commercial banks and financial institutions; (ii) the Group has the flexibility in withdrawing its deposits with CGNPC Huasheng and CGN Finance as long as a reasonable written notice is given; (iii) the Group has no obligation or responsibility in utilising the financial services (including the deposit services) provided by CGNPC Huasheng and CGN Finance; (iv) the Group has its sole discretion to use services from any commercial bank or financial institution other than that provided by CGNPC Huasheng and CGN Finance; and (v) the Financial Services Framework Agreements can be terminated on mutual agreement among the parties, we consider the terms mentioned above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM ALTUS CAPITAL LIMITED

4. Annual Caps for the Financial Services Framework Agreements

4.1. Financial Services Annual Caps

As the nature of the services to be provided to the Group under the Financial Services (CGNPC Huasheng) Framework Agreement and the Financial Services (CGN Finance) Framework Agreement are similar, the estimated annual cap for the maximum outstanding balance of deposits to be placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements, together with the relevant interest received, for each of the three years ending 31 December 2023 has been aggregated and is presented below:

For the year ending 31 December		
2021	2022	2023
<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
610	640	680

As set out in the “Letter from the Board”, the Management has taken into account (i) the historical amount of deposits the Group placed with CGNPC Huasheng and CGN Finance as well as other independent commercial banks; (ii) the Group’s expected available free cash flow; and (iii) the latest actual cash balance of the Group as at 30 June 2020 when arriving the Financial Services Annual Caps.

LETTER FROM ALTUS CAPITAL LIMITED

4.2. Analysis of the Financial Services Annual Caps

In assessing the reasonableness of the Financial Services Annual Caps, we have reviewed the relevant basis and assumptions prepared by the Company taking into account the Group’s historical cash deposits placed with CGNPC Huasheng and CGN Finance as well as other independent commercial banks. Set out below is the maximum utilisation rates of the historical annual caps of the Company in relation to the deposits placed by the Group with CGNPC Huasheng and CGN Finance (including their respective interest received) for the two years ended 31 December 2019 and six months ended 30 June 2020.

	For the year ended		For the
	31 December		six months
	2018	2019	ended
	<i>(US\$</i>	<i>(US\$</i>	<i>30 June</i>
	<i>million)</i>	<i>million)</i>	<i>2020</i>
			<i>(US\$</i>
			<i>million)</i>
Annual cap	524	543	560
Highest daily deposits balances placed with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements	376	398	440
Maximum utilisation rates	71.76%	73.30%	78.57%

As set out in the “Letter from the Board” of the Circular, approximately 94%, 94% and 97% of the Group’s total cash and bank balance were placed with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreements as at 31 December 2018, 31 December 2019 and 30 June 2020, respectively.

In estimating the annual cap needed for the deposit services from CGNPC Huasheng and CGN Finance, the Management took into account and we have reviewed (i) the 2020 Interim Report and 2019 Annual Report relating to the business outlook of the Group and noted that the Management is confident in respect of the growth in operating capacity of the Group; (ii) the bank balances and cash of the Group as at 30 June 2020 as stated in the 2020 Interim Report; (iii) the budget monthly cash and cash equivalents position of the Group for the period ending 30 June 2021 prepared by the Management; and (iv) the projected interest income to be generated from the deposits under the Financial Services Framework Agreements based on the aforesaid budget.

LETTER FROM ALTUS CAPITAL LIMITED

Having considered (i) the increasing trend in utilisation of historical annual caps in respect of the deposits placed by the Group with CGNPC Huasheng and CGN Finance; (ii) the strong tendency of the Group in placing deposits with CGNPC Huasheng and CGN Finance rather than other commercial banks during the two years ended 31 December 2019 and six months ended 30 June 2020; and (iii) the estimated cash inflow from the Group's business operations to determine the projected cash position of the Group and the interest income to be generated from the Financial Services Framework Agreements, we are of the view that the Financial Services Annual Caps are determined on a fair and reasonable basis.

5. Internal control measures

As stated in the "Letter from the Board" of the Circular, the following monitoring and internal controls measures are in place to safeguard the interests of the Group and to ensure transactions contemplated under the Financial Services Framework Agreements are in the interests of the Company and the Shareholders as a whole.

- (i) The finance department of the Company will obtain rates and terms offered by CGNPC Huasheng or CGN Finance (as the case may be) and at least two other independent financial institutions in Hong Kong or in the PRC respectively for deposit of similar type for comparison before the Company or any of its subsidiaries enters into any fixed deposit services with CGNPC Huasheng or CGN Finance;
- (ii) approval from the chief financial officer of the relevant member of the Group is needed for the Group to enter into the fixed deposit services arrangement with CGNPC Huasheng or CGN Finance;
- (iii) the finance department of the Group will monitor the comparable market interest rates from at least two independent financial institutions to ensure that the interest rates offered by CGNPC Huasheng or CGN Finance are no less favourable to the Group;
- (iv) the relevant subsidiary of the Group which deposits money with CGNPC Huasheng or CGN Finance will submit a report to CGNPC Huasheng or CGN Finance on its funding requirements for the month by no later than the seventh business day of each month; and
- (v) the Group will evaluate and assess the financial performance and position of CGNPC Huasheng and CGN Finance on a quarterly basis.

LETTER FROM ALTUS CAPITAL LIMITED

For further details, please refer to the paragraph headed “Internal control measures for transactions under the Financial Services Framework Agreements” in the “Letter from the Board” of the Circular.

We have reviewed (i) the business licenses of CGN Finance and CGNPC Huasheng; and (ii) the quotations obtained by the Group from other independent commercial banks or financial institutions for deposit services. We further understand from the Management that during the past six years, the Group has not experienced any delay from withdrawals or late payment of interest income in relation to the deposit arrangements with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreement. Based on the documents provided by the Management and the abovementioned internal control measures, we noted that the Company had adhered to the internal control measures and believed such internal control measures are adequate.

II. Renewal of the Operation and Management Services Framework Agreements

1. *Background information of the parties involved in the Operation and Management Services Framework Agreements*

1.1. *CGN Solar Energy*

CGN Solar Energy is a non-wholly owned subsidiary of CGN incorporated in the PRC. It is principally engaged in the development and operations of solar power plants in the PRC.

1.2. *Huamei Holding*

Huamei Holding is a wholly-owned subsidiary of CGN incorporated under the laws of Bermuda and is principally engaged in investment holding.

1.3. *CGN Wind Energy*

CGN Wind Energy is a non-wholly owned subsidiary of CGN incorporated in the PRC. It is principally engaged in the development and operations of wind power plants in the PRC.

1.4. *CGN Energy*

CGN Energy is a direct wholly-owned subsidiary of CGN established under the laws of the PRC and is principally engaged in investment holding.

For information on the Group and CGN Group, please refer to the paragraph headed “1. Background information of the Group, the CGN Group and parties involved in the Financial Services Framework Agreements” above.

LETTER FROM ALTUS CAPITAL LIMITED

2. Reasons for the renewal of the Operation and Management Services Framework Agreements

Given the right granted by CGN to the Company under the non-competition deed to acquire the managed projects of the CGN Group, the Group's involvement in the power projects which the CGN Group has interests in as contemplated under the Operation and Management Services Framework Agreements enables the Group to better understand, monitor and track the status and performance of those projects and therefore will be in a position to know whether such power projects meet the Group's investment criteria.

Since the transactions contemplated under the Operation and Management Services Framework Agreements allow the Group to (i) make a more informed decision on the potential execution of its acquisition right on those projects; and (ii) create an additional stream of income for the Group, we are of the view that the transactions contemplated under the Operation and Management Services Framework Agreements are incidental to the Group's development of its ordinary and usual course of business and is in the interests of the Company and Shareholders as a whole.

3. Principal terms of the Operation and Management Services Framework Agreements

The principal terms of the Operation and Management Services Framework Agreements are summarised below. Please refer to the "Letter from the Board" of the Circular for further details.

3.1 Management fees

The management fees payable by the service recipient to the service provider will be determined on a "cost-plus" basis, namely the service provider will charge a service fee that represents a 5% margin over the expenses that will be incurred by the service provider in providing the operation and management services to the service recipient.

The "cost-plus" basis and the 5% margin were determined by the parties based on arm's length negotiation with reference to the margin charged by the Group for similar services in the market, the margin charged for the provision of services by the Group in similar historical transactions and the PBOC benchmark lending and deposit interest rates. We understand from the Management that the Group had only provided such similar services to CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding in the past, and a "cost-plus" basis and 5% margin had been consistently applied for these historical transactions.

Comparable analysis

To assess whether the “cost-plus” basis and the 5% margin for the management fee is fair and reasonable and on normal commercial terms, we, based on our best endeavour and as far as we are aware, have identified an exhaustive list of 14 companies below (the “**Operation and Management Services Comparable Companies**”) which (i) are listed on the Main Board of the Stock Exchange; (ii) have inter-group management services provision arrangements with connected persons; and (iii) the subject matter was disclosed in announcements published in 2020 up to the Latest Practicable Date.

Date of announcement	Name of company	Stock code	Terms of management fee
20 October 2020	Financial Street Property Co., Limited	1502	The property management fees shall be determined after arm’s length negotiations taking into account the location of the projects, the expected operational costs (including labour costs, material costs and administrative costs) with reference to the property management fees for similar services and similar types of projects in the market.
15 October 2020	Fineland Real Estate Services Group Limited	9978	The service fee shall be determined according to the service cost plus management fee profit margin (generally ranging from 10% to 20%) and tax.
25 September 2020	Ever Sunshine Lifestyle Services Group Limited	1995	Fees for the property management services should be set with reference to the prevailing market rate and the price charged by the group when providing similar services to the independent third parties.

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Terms of management fee
17 September 2020	China Resources Medical Holdings Company Limited	1515	The parties shall determine specific fee rates with reference to management service fee rates provided to third-party clients of the group and the medical institutions owned or managed by it, under similar service scope service types and conditions, and the expected variety of medical supplies and specifications and the number of brands involved, the expected medical material supply management complexity and specific requirements.
7 September 2020	Vanke Overseas Investment Holding Company Limited	1036	The fees payable shall comprise of the management fee calculated as 1.25% per annum of the invested capital of the relevant project(s). The invested capital shall include funding, capital or financing. On top of the aforementioned 1.25% fee, project holding companies with interests held by third parties, an additional management fee shall be payable, which management fee is to be determined based on (i) the third party's interest in the relevant project and (ii) the then prevailing market standard of the management fee charged for the relevant project.
7 August 2020	Chengdu Expressway Co., Ltd.	1785	The prices of various services shall be determined based on the general principles of the transaction and in the following order: (1) Adopting market price; (2) If no market price is available or the principles above are not applicable in actual transactions, the agreed price shall be adopted.
29 April 2020	Zhuhai Holdings Investment Group Limited	908	The service fees are to be determined based on the standard monthly rates as agreed for different positions and the actual number of staff.

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Terms of management fee
24 April 2020	FSE Services Group Limited	331	The fees payable will be determined by reference to the market prices provided to the group by other independent service providers, taking into account factors including the nature and type of services to be rendered.
24 April 2020	New World Development Company Limited	17	Fixed on the basis of cost plus a prevailing market rate which could be varied according to the size or, if applicable, the unique nature of the project management project and/or the extent of services required and will be determined by conducting research on the market comparables by the parties from time to time.
24 April 2020	NWS Holdings Limited	659	On the basis of cost plus a prevailing market rate which could be varied according to the size or, if applicable, the unique nature of the property management project and/or the extent of services required and will be determined by conducting researches on the market comparables by the parties from time to time.
1 April 2020	Genting Hong Kong Limited	678	The fees shall be (a) 103.75% of the crew payroll and related expenses reasonably incurred in providing or procuring crewing services; (b) 108% of the expenses and disbursements reasonably incurred in providing or procuring technical support services; and (c) 105% of the expenses and disbursements reasonably incurred in providing or procuring administrative support services in addition to the fixed management fee of US\$10,000.

LETTER FROM ALTUS CAPITAL LIMITED

Date of announcement	Name of company	Stock code	Terms of management fee
25 March 2020	Coolpad Group limited	2369	The fees to be charged shall be determined by the parties based on arm's length negotiations between the parties and prevailing market prices of similar or comparable services offered to other independent third parties and shall be adjustable according to market conditions.
11 March 2020	Redsun Properties Group Limited	1996	The management fees shall be determined with reference to a wide range of factors including but not limited to (i) nature, age, infrastructure features, geographical location and neighborhood profile of the relevant properties; (ii) prevailing market price charged by other independent third party services providers to the group in respect of comparable services; and (iii) any applicable rates recommended by the relevant government authorities.
9 March 2020	CLSA Premium Limited	6877	In respect of project management service, a fee charged by cost actually incurred as listed in the statement of work as agreed by the parties prior to the start of the project. Unless otherwise specified in the statement of work, an amount will be charged at HK\$5,500 per man day.

Out of the above 14 Operation and Management Services Comparable Companies, we identified four companies which had adopted a “cost-plus” basis when determining the management fee, whilst the other Operation and Management Services Comparable Companies had generally made reference to the prevailing market rate or management fee charged from/to other third parties for similar management services. Given that (i) the Company had not provided similar management services to any third party in the past; and (ii) the 5% margin is within the range of 3.75% to 20% on top of various costs for management services of the Operation and Management Services Comparable Companies, we are of the view that the “cost-plus” basis and 5% margin of the management fee under the Operation and Management Services Framework Agreements is not uncommon as shown above, is justifiable under the circumstances and is on normal commercial terms.

LETTER FROM ALTUS CAPITAL LIMITED

3.2 Termination of the Operation and Management Services Framework Agreements

The Board has agreed with each of CGN Energy, Huamei Holding, CGN Solar Energy and CGN Wind Energy to add a clause to the Operation and Management Services (CGN Energy) Framework Agreement, the Operation and Management Services (Huamei Holding) Framework Agreement, the Operation and Management Services (Solar Energy) Framework Agreement and the Operation and Management Services (Wind Energy) Framework Agreement, respectively, to give the Company, CGN Energy, Huamei Holding, CGN Solar Energy and CGN Wind Energy (as the case may be) a right to terminate the respective Operation and Management Services Framework Agreements (as the case may be) by mutual agreement in writing among the parties with one month's advance notice.

Given that this requires mutual agreement between the Group and each of CGN Energy, Huamei Holding, CGN Solar Energy and CGN Wind Energy, we are of the view that this is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.3 Other terms

The relevant subsidiaries of the Company may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. In addition, the extent of the services to be provided by the relevant subsidiaries of the Company would depend on the percentage of interest the service recipient holds in a particular power project, and whether the services will be provided at the project company level or at the shareholder company level.

As it is at the Company's discretion to determine the number of personnel to be placed with the relevant power project or company, we consider such term provides the Company the flexibility to manage its human resources effectively and efficiently among the various power project or company which is fair and reasonable and in the interests of the Company and Shareholders as a whole.

LETTER FROM ALTUS CAPITAL LIMITED

3.4 Section summary

Given that (i) the 5% margin of the management fee payable by the service recipient had been consistently applied in the similar historical transactions of the Company; (ii) the “cost-plus” basis for similar services is a common pricing mechanism for project management services in the market; (iii) the Operation and Management Services Framework Agreements can be terminated on mutual agreement among the parties; and (iv) the Company has the discretion to determine and the flexibility to manage its human resources effectively and efficiently among the various power project or company, we are of the view that the terms contained in the Operation and Management Services Framework Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Annual Caps for the Operation and Management Services Framework Agreements

4.1 Operation and Management Services Annual Caps

As the nature of the services to be provided under the Operation and Management Service Framework Agreements are similar, the Operation and Management Services Annual Caps are aggregated as follows:

For the year ending 31 December		
2021	2022	2023
<i>(US\$ million)</i>	<i>(US\$ million)</i>	<i>(US\$ million)</i>
40.0	43.0	47.0

As set out in the “Letter from the Board” of the Circular, factors including, among others, the power projects schedule and relevant estimated installed capacity to be managed under the Operation and Management Services Framework Agreements, interests of CGN Energy, Huamei Holding, CGN Solar Energy and CGN Wind Energy in the relevant power projects as well as the historical and estimated costs and expenses for the operation of the relevant power projects have been considered in arriving the Operation and Management Services Annual Caps.

LETTER FROM ALTUS CAPITAL LIMITED

4.2 Analysis of the Operation and Management Services Annual Caps

In assessing the reasonableness of the proposed Operation and Management Services Annual Caps, we analysed the utilisation rates of the historical aggregated annual caps in relation to the amount of management fees paid or payable to the Group under the Operation and Management Services Framework Agreements for the two years ended 31 December 2019 and six months ended 30 June 2020 which has been taken into account when estimating the proposed Operation and Management Service Annual Caps by the Company as set out below.

	For the year ended		For the year
	31 December		ending
	2018	2019	2020
	<i>(US\$</i>	<i>(US\$</i>	<i>(US\$</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
Annual cap	42	46	29.74
Actual management fees paid under the Operation and Management Services Framework Agreements	25	28	29.16 ^{Note}
Utilisation rates	59.52%	60.87%	98.05%

Note: The management fees paid or payable to the Group under the Operation and Management Services Framework Agreements for the year ending 31 December 2020 is an estimated figure. The management fees paid or payable under the Operation and Management Services Framework Agreements for the six months ended 30 June 2020 were approximately US\$10.8 million, which were subject to further adjustment during the annual audit of the Company.

LETTER FROM ALTUS CAPITAL LIMITED

When the Company was estimating the then annual caps of the Operation and Management Services Framework Agreements relating to Huamei Holding and CGN Energy in 2016 and to CGN Solar Energy and CGN Wind Energy in 2017, the estimation was based on the interests in various power projects then held by CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding. Subsequently at the end of 2017, CGN Energy and Huamei Holding sold their interests in 12 and four power projects respectively. As a result of the aforesaid disposal, it gave an impression that the utilisation rates of the historical annual caps of the Operation and Management Services Framework Agreements for the two years ended 31 December 2019 was relatively low (at approximately 60% of the relevant annual caps). Nevertheless, in 2019, when the Company revised the annual cap of the Operation and Management Services Framework Agreements relating to Huamei Holding and CGN Energy for the year ending 31 December 2020, the estimation was based on the updated interests in various power projects then held by CGN Energy and Huamei Holding. Hence, as shown in the table above, the estimated annual utilisation rate of the annual cap for the Operation and Management Services Framework Agreements for the year ending 31 December 2020 will be closed to 98%.

When determining the Operation and Management Services Annual Caps, we noted that the Company had taken into consideration and we have reviewed (i) the historical total costs and expenses incurred by the Group in relation to the operation of power projects for the three years ended 31 December 2019; (ii) the historical year-on-year increment in total costs and expenses incurred by the Group in relation to the operation of power projects for the three years ended 31 December 2019; (iii) the attributable interests of CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding in the relevant power projects; (iv) the estimated power projects' sizes and schedules of CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding and the corresponding operation and management services required; (v) the "cost-plus" 5% margin on the estimated management fee to be received from CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding; (vi) the potential changes in the project schedule is included for flexibility purpose; and (vii) the expected growth in operating capacity of the Group due to the increasing demand in the operation and management services needed from CGN Solar Energy, CGN Wind Energy, CGN Energy and Huamei Holding as expected by the Management.

Having reviewed the above determination basis of the Operation and Management Services Annual Caps, we consider the estimation of the proposed annual caps fair and reasonable.

LETTER FROM ALTUS CAPITAL LIMITED

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the CCT Agreements are fair and reasonable; (ii) the Financial Services Annual Caps and the Operation and Management Services Annual Caps are fair and reasonable; and (iii) the transactions contemplated under the CCT Agreements will be conducted in the ordinary and usual course of business of the Group, on normal commercial terms and no less favourable to the Group than those of independent third parties, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions relating to the CCT Agreements (including the Financial Services Annual Caps and the Operation and Management Services Annual Caps) to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Leo Tam
Assistant Director

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over six years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.cgnne.com):

- (a) the annual report of the Company for the year ended 31 December 2017 published on 19 April 2018 (pages 79 to 168) in relation to the financial information of the Group for the same year;
- (b) the annual report of the Company for the year ended 31 December 2018 published on 26 April 2019 (pages 81 to 180) in relation to the financial information of the Group for the same year;
- (c) the annual report of the Company for the year ended 31 December 2019 published on 4 May 2020 (pages 81 to 184) in relation to the financial information of the Group for the same year; and
- (d) the interim report of the Company for the six months ended 30 June 2020 published on 23 September 2020 (pages 27 to 48) in relation to the financial information of the Group for the same period.

2. INDEBTEDNESS

Bank Borrowings

As at close of business on 30 September 2020, being the latest practicable date for the purpose of this statement of indebtedness and contingent liabilities prior to the printing of this circular, the Group had aggregate outstanding bank borrowings of approximately US\$3,326 million, details of which are set out below:

	<i>US\$ million</i>
Bank borrowings, secured and guaranteed	332
Bank borrowings, secured and unguaranteed	2,238
Bank borrowings, unsecured and guaranteed	17
Bank borrowings, unsecured and unguaranteed	<u>739</u>
	<u><u>3,326</u></u>

Loans from fellow subsidiaries and amounts due to fellow subsidiaries

As at close of business on 30 September 2020, the Group had unsecured and unguaranteed outstanding loans from fellow subsidiaries and amounts due to fellow subsidiaries of approximately US\$1,256.8 million and US\$6.0 million, respectively.

Pledged Assets

The Group pledged certain property, plant and equipment, right-of-use assets, trade receivables, contract assets and bank deposits for credit facilities granted to the Group.

Contingent liabilities

There were no material contingent liabilities as at 30 September 2020.

Lease liabilities

As at close of business on 30 September 2020, the Group had lease liabilities of approximately US\$28.9 million.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, guarantees or other material contingent liabilities at close of business on 30 September 2020.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Group's available financial resources including internally generated cash flows, available facilities and cash on hand, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As the electricity structure in China continued its path towards green and low carbon development, electricity generation from non-fossil energy was further increased. From January to June 2020, the electricity generated from the nation's wind power and solar power reached 237.9 TWh and 127.8 TWh respectively, representing a growth of 10.9% and 20.0% as compared to the same period of last year respectively.

The policy of the new energy industry in 2020 basically continued the policy guidance of last year, but the external environmental uncertainty caused by the COVID-19 pandemic had enormous impacts on the strategic layout, project development, project construction, production operation and maintenance of investment enterprises. Furthermore, subsidies for renewable energy had further declined, placing higher requirements on project resource endowments and cost control.

In 2020, the Company will continue to uphold its business direction of high quality and sustainable development and ensure the realization of its annual business targets, in order to consummate our works under the "13th Five-Year Plan" and lay a sound foundation for our development under the "14th Five-Year Plan".

On one hand, the Company will accelerate the optimization of key business links throughout the life cycle and improve its core competitiveness of the unit cost of electricity. On the other hand, the Company will push forward the reform for overall improvement in the standard of corporate operation and management. Driven by reform and innovation, the Company will facilitate the progress of the "Double Top 100 Action". The "Three Can" reform has been fully implemented, and the mixed ownership reform has achieved staged results. The Company will continue to deepen reform, further improve the management and governance system, optimize the market-oriented human resource management mechanism, and promote the Company to achieve high-quality development.

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 regards to the Group. 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 contained in this circular or this circular misleading.

2. DISCLOSURE OF DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As of the Latest Practicable Date, none of the Directors and/or chief executive of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company and 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 the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as of the Latest Practicable Date, the following persons had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company carrying rights to vote in all circumstances at general meeting of the Company:

Name	Capacity/Nature of Interest	Number of Shares	Approximate % of Shareholding
CGN ^{Note (1)(2)}	Interests in controlled corporation (long position)	3,101,800,000	72.29%
CGNPC International ^{Note (2)}	Interests in controlled corporation (long position)	3,101,800,000	72.29%
CGN Energy International ^{Note (2)}	Beneficial owner (long position)	3,101,800,000	72.29%

Notes:

- (1) CGN indirectly holds 100% of the issued share capital of CGN Energy International, which directly holds approximately 72.29% of the issued share capital of the Company, through its wholly-owned subsidiary CGNPC International. Accordingly, CGN is deemed to have an interest in all shares held by CGN Energy International.
- (2) CGNPC International directly holds 70.59% of the issued share capital of CGN Energy International, which directly holds approximately 72.29% of the issued share capital of the Company, and indirectly holds 29.41% of the issued share capital of CGN Energy International, through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International is deemed to have an interest in all shares held by CGN Energy International.

4. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, other than service contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

6. DIRECTORS' INTERESTS IN ASSETS

As of the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement subsisting as of the Latest Practicable Date which is significant in relation to the business of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

10. EXPERT AND CONSENT

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

Name	Qualifications
Altus Capital Limited	a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

As of the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which had since 31 December 2019 (being the date which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group. As of the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group, nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the share sale and purchase agreement dated 29 October 2019 entered into between CGN Energy International Holdings Co., Limited and the Company in relation to the disposal of one share of USD1.00 in the share capital of MPC Investment (HK) Company Limited held by the Company, representing its entire issued share capital;
- (b) the First Equipment Transfer Agreement dated 10 November 2020 entered into between CGN (Anshan) New Energy Co., Ltd. and CGN Solar Energy (Yixian) Co., Ltd. pursuant to which CGN (Anshan) New Energy Co., Ltd. agreed to dispose of, and CGN Solar Energy (Yixian) Co., Ltd. agreed to acquire, 36 items of the equipment at the consideration of RMB9,034,271.59 (inclusive of tax); and
- (c) the Second Equipment Transfer Agreement dated 10 November 2020 entered into between CGN (Anshan) New Energy Co., Ltd. and Zhaoyang Junxiao New Energy (Lingyuan) Co., Ltd., pursuant to which CGN (Anshan) New Energy Co., Ltd. agreed to dispose of and Zhaoyang Junxiao New Energy (Lingyuan) Co., Ltd. agreed to acquire 20 items of the Equipment at the consideration of RMB8,772,193.83 (inclusive of tax).

12. GENERAL

- (a) The company secretary of the Company is Mr. Lee Kin who is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA), the Association of Chartered Certified Accountants (ACCA), the Hong Kong Institute of Chartered Secretaries (HKICS) and the Institute of Chartered Secretaries and Administrators (ICSA), a member of the Chartered Institute of Management Accountants (CIMA), and a Chartered Financial Analyst (CFA), respectively.
- (b) The address of the principal share registrar, MUFG Fund Services (Bermuda) Limited, and transfer office of the Company in Bermuda is at 4th Floor, North Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.
- (c) The address of the Hong Kong branch share registrar, Tricor Investor Services Limited, and transfer office of the Company in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from Monday to Friday (other than public holidays) at the headquarters and principal place of business of the Company in Hong Kong at 15th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the Special General Meeting:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the material contracts as referred to in the paragraph headed “11. Material Contracts” in this appendix;
- (c) the Financial Services (CGNPC Huasheng) Framework Agreement, together with the notification letter for extension of the term of the agreement;
- (d) the Financial Services (CGN Finance) Framework Agreement, together with the notification letters for extension of the term of the agreement;
- (e) the Operation and Management Services (Solar Energy) Framework Agreement, together with the notification letters for extension of the term of the agreement;
- (f) the Operation and Management Services (Wind Energy) Framework Agreement, together with the notification letters for extension of the term of the agreement;
- (g) the Operation and Management Services (CGN Energy) Framework Agreement, together with the notification letters for extension of the term of the agreement;
- (h) the Operation and Management Services (Huamei Holding) Framework Agreement, together with the notification letters for extension of the term of the agreement;
- (i) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (j) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Altus Capital Limited” of this circular;
- (k) the written consent referred to in paragraph headed “10. Expert and Consent” in this appendix;
- (l) the share sale and purchase agreement dated 29 October 2019 entered into between CGN Energy International Holdings Co., Limited and the Company in relation to the disposal of one share of USD1.00 in the share capital of MPC Investment (HK) Company Limited held by the Company, representing its entire issued share capital;

- (m) the First Equipment Transfer Agreement dated 10 November 2020 entered into between CGN (Anshan) New Energy Co., Ltd. and CGN Solar Energy (Yixian) Co., Ltd. pursuant to which CGN (Anshan) New Energy Co., Ltd. agreed to dispose of, and CGN Solar Energy (Yixian) Co., Ltd. agreed to acquire, 36 items of the equipment at the consideration of RMB9,034,271.59 (inclusive of tax);
- (n) the Second Equipment Transfer Agreement dated 10 November 2020 entered into between CGN (Anshan) New Energy Co., Ltd. and Zhaoyang Junxiao New Energy (Lingyuan) Co., Ltd., pursuant to which CGN (Anshan) New Energy Co., Ltd. agreed to dispose of and Zhaoyang Junxiao New Energy (Lingyuan) Co., Ltd. agreed to acquire 20 items of the Equipment at the consideration of RMB8,772,193.83 (inclusive of tax);
- (o) this circular;
- (p) the annual report of the Company for the year ended 31 December 2017;
- (q) the annual report of the Company for the year ended 31 December 2018;
- (r) the annual report of the Company for the year ended 31 December 2019; and
- (s) the interim report of the Company for the six months ended 30 June 2020.

NOTICE OF SPECIAL GENERAL MEETING



CGN NEW ENERGY HOLDINGS CO., LTD.

中國廣核新能源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1811)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of CGN New Energy Holdings Co., Ltd. (the “**Company**”) will be held at Basement 2 Meeting Room, Wharney Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Wednesday, 23 December 2020 at 10:00 a.m. (the “**Special General Meeting**”) for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT**, conditional upon the passing of the resolution set out in item 7 of this Notice,
 - (a) the renewal of the Financial Services (CGNPC Huasheng) Framework Agreement (as defined and described in the circular of the Company dated 25 November 2020 (the “**Circular**”), a copy of the Circular marked “A” together with a copy of the Financial Services (CGNPC Huasheng) Framework Agreement marked “B” are tabled before the Special General Meeting and initialed by the chairman of the Special General Meeting for identification purpose) and transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
 - (b) any one director of the Company (or any two directors of the Company or any one director and the company secretary of the Company if the affixation of the common seal is necessary), be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the renewal of the Financial Services (CGNPC Huasheng) Framework Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

NOTICE OF SPECIAL GENERAL MEETING

2. “**THAT**, conditional upon the passing of the resolution set out in item 7 of this Notice,
 - (a) the renewal of the Financial Services (CGN Finance) Framework Agreement (as defined and described in the Circular, a copy of the Financial Services (CGN Finance) Framework Agreement marked “C” is tabled before the Special General Meeting and initialed by the chairman of the Special General Meeting for identification purpose) and transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
 - (b) any one director of the Company (or any two directors of the Company or any one director and the company secretary of the Company if the affixation of the common seal is necessary), be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the renewal of the Financial Services (CGN Finance) Framework Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

3. “**THAT**, conditional upon the passing of the resolution set out in item 8 of this Notice,
 - (a) the renewal of the Operation and Management Services (Solar Energy) Framework Agreement (as defined and described in the Circular, a copy of the Operation and Management Services (Solar Energy) Framework Agreement marked “D” is tabled before the Special General Meeting and initialed by the chairman of the Special General Meeting for identification purpose) and transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
 - (b) any one director of the Company (or any two directors of the Company or any one director and the company secretary of the Company if the affixation of the common seal is necessary), be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the renewal of the Operation and Management Services (Solar Energy) Framework Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

NOTICE OF SPECIAL GENERAL MEETING

4. “**THAT**, conditional upon the passing of the resolution set out in item 8 of this Notice,
- (a) the renewal of the Operation and Management Services (Wind Energy) Framework Agreement (as defined and described in the Circular, a copy of the Operation and Management Services (Wind Energy) Framework Agreement marked “E” is tabled before the Special General Meeting and initialed by the chairman of the Special General Meeting for identification purpose) and transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
 - (b) any one director of the Company (or any two directors of the Company or any one director and the company secretary of the Company if the affixation of the common seal is necessary), be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the renewal of the Operation and Management Services (Wind Energy) Framework Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”
5. “**THAT**, conditional upon the passing of the resolution set out in item 8 of this Notice,
- (a) the renewal of the Operation and Management Services (CGN Energy) Framework Agreement (as defined and described in the Circular, a copy of the Operation and Management Services (CGN Energy) Framework Agreement marked “F” is tabled before the Special General Meeting and initialed by the chairman of the Special General Meeting for identification purpose) and transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
 - (b) any one director of the Company (or any two directors of the Company or any one director and the company secretary of the Company if the affixation of the common seal is necessary), be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the renewal of the Operation and Management Services (CGN Energy) Framework Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”

NOTICE OF SPECIAL GENERAL MEETING

6. “**THAT**, conditional upon the passing of the resolution set out in item 8 of this Notice,
- (a) the renewal of the Operation and Management Services (Huamei Holding) Framework Agreement (as defined and described in the Circular, a copy of the Operation and Management Services (Huamei Holding) Framework Agreement marked “G” is tabled before the Special General Meeting and initialed by the chairman of the Special General Meeting for identification purpose) and transactions contemplated thereunder and the implementation thereof be and are hereby approved, ratified and confirmed;
 - (b) any one director of the Company (or any two directors of the Company or any one director and the company secretary of the Company if the affixation of the common seal is necessary), be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the renewal of the Operation and Management Services (Huamei Holding) Framework Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary or incidental thereto.”
7. “**THAT** conditional upon the passing of resolutions set out in items 1 to 2 of this Notice, the Financial Services Annual Caps as defined and described in the Circular in respect of the renewed Financial Services (CGNPC Huasheng) Framework Agreement and the renewed Financial Services (CGN Finance) Framework Agreement, for each of the three years ending 31 December 2023 be and are hereby approved.”

NOTICE OF SPECIAL GENERAL MEETING

8. “**THAT** conditional upon the passing of resolutions set out in items 3 to 6 of this Notice, the Operation and Management Services Annual Caps as defined and described in the Circular in respect of the renewed Operation and Management Services (Solar Energy) Framework Agreement, the renewed Operation and Management Services (Wind Energy) Framework Agreement, the renewed Operation and Management Services (CGN Energy) Framework Agreement and the renewed Operation and Management Services (Huamei Holding) Framework Agreement, for each of the three years ending 31 December 2023 be and are hereby approved.”

By Order of the Board
CGN New Energy Holdings Co., Ltd.
Li Yilun
President and Executive Director

Hong Kong, 25 November 2020

Notes:

1. All resolutions at the Special General Meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any member of the Company entitled to attend and vote at the Special General Meeting or at any adjournment thereof is entitled to appoint another person as his proxy (or more than one proxy if he is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any share, any one of such persons may vote at the Special General Meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Special General Meeting in person or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased shareholder of any share will for this purpose be deemed joint holders thereof.

NOTICE OF SPECIAL GENERAL MEETING

5. In order to determine the entitlement to attend the Special General Meeting, the register of members of the Company will be closed from Wednesday, 16 December 2020 to Wednesday, 23 December 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to be qualified for attending and voting at the Special General Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on Tuesday, 15 December 2020.

6. Precautionary measures for the Special General Meeting:

Please see cover page of the circular of the Company dated 25 November 2020 for measures being taken for the prevention of the spreading of the coronavirus disease (COVID-19) at the Special General Meeting, including: (i) compulsory temperature screening/checks; (ii) submission of health and travel declaration form; (iii) wearing of surgical face mask; and (iv) no provision of refreshments or drinks.

Any person who does not comply with the precautionary measures may be denied entry to the venue for the Special General Meeting. Shareholders are encouraged to appoint the chairman of the Special General Meeting as their proxy to vote on the relevant resolutions at the Special General Meeting instead of attending the Special General Meeting in person.

As at the date of this Notice, the Board comprises seven Directors, namely:

Chairman and non-executive Director : *Mr. Chen Sui*

Executive Directors : *Mr. Li Yilun (President) and
Mr. Zhang Zhiwu*

Non-executive Director : *Mr. Xing Ping*

Independent non-executive Directors : *Mr. Wang Minhao,
Mr. Yang Xiaosheng and
Mr. Leung Chi Ching Frederick*