



China Yangtze Power Co., Ltd.

Summary of Report on Purchasing Assets by Issuing Shares  
and Paying Cash and Raising Subscription Funds  
as well as on Related Party Transaction (Draft)

Item	Name
Counterparties to asset purchases	China Three Gorges Corporation
	Yangtze River Three Gorges Investment Management Co., Ltd.
	Yunnan Provincial Energy Investment Group Co., Ltd.
	Sichuan Energy Industry Investment Group Co., Ltd.
Subscribers for raising subscription funds	No more than 35 qualified specific investors

Independent Financial Adviser



中信证券股份有限公司  
CITIC Securities Company Limited



华泰联合证券有限责任公司  
HUATAI UNITED SECURITIES CO.,LTD.

Date of signing: June 2022

## Statement

The words or abbreviations mentioned in this part have the same meanings given in the "Interpretation" of the summary of this report.

### I. Statement of Listed Company

The Company and all directors, supervisors and senior executives of the Company guarantee that the listed company discloses information in a timely and fair manner, the report and its summary are true, accurate, and complete without false record, misleading statement or major omission, and the relevant data cited in this Report are true and reasonable, and undertake the joint and several legal liabilities for the authenticity, accuracy and completeness of the information provided.

If this transaction is filed for investigation by judicial authorities or by China Securities Regulatory Commission due to suspected false records, misleading statements or major omissions in the information provided or disclosed, all directors, supervisors and senior executives of the Company will suspend the transfer of the shares (if any) of the listed company held by them until a definitive conclusion is reached.

Any decisions or opinions made on this transaction by the CSRC or Shanghai Stock Exchange does not indicate that they make substantive judgments or guarantees on the company's share value or investors' return.

According to the Securities Law and other relevant laws and regulations, after the transaction, the Company will be responsible for the changes on its operation and returns; investors will be responsible for the investment risks arising therefrom.

Investors should explicitly consider the risk factors disclosed in the Reorganization Report when evaluating the transaction of the company, in addition to the content of the summary of the Report and relevant documents disclosed together with the summary of the Report. In case of any questions on the summary of this report, investors should consult their stockbrokers, lawyers, accountants or other professional advisers.

## II. Statement of Counterparties

The counterparties of this reorganization have issued a letter of commitment on the authenticity, accuracy and completeness of the information and materials provided in the course of this transaction, guaranteed that it will provide the relevant information of this reorganization in a timely manner, the relevant information provided for this transaction is authentic, accurate and complete without false record, misleading statement, or major omission, and the counterparties will bear legal responsibilities for the authenticity, accuracy, and completeness of the information provided.

The counterparties of this reorganization promises, if this transaction is filed for investigation by judicial authorities or by China Securities Regulatory Commission due to suspected false records, misleading statements or major omissions in the information provided or disclosed, they will not transfer the shares of interests in the listed company at that time, and they shall submit the written application for suspension of transfer and the stock account to the board of directors of the listed company within two trading days upon receipt of the notice of filing inspection, and the board of directors of the listed company will apply to the stock exchange and the registration and clearing company for locking on its behalf. If the counterparties fail to submit a lock-up application within two trading days, they agree to authorize the board of directors of the listed company to directly submit the identity information and account information of the counterparties to the stock exchange and the registration and clearing company after verification and apply for lock-up; If the board of directors fails to do so, it shall agree to authorize the stock exchange and the registration and clearing company to directly lock the relevant shares. If the investigation concludes that there are illegal circumstances and legal responsibilities in the transaction, the counterparties promise

to use the locked shares for the compensation arrangement for relevant investors.

### III. Statement of Relevant Securities Service Institutions and Personnel

The securities trading service institutions and personnel for this transaction promise that the application documents issued for this transaction are true, accurate and complete without false record, misleading statement, or major omission, and they bear corresponding legal responsibilities for their authenticity, accuracy and completeness. If there are false records, misleading statements, or major omissions in the application documents issued for this transaction, and the securities trading service institutions fail to perform their duties diligently, they will bear joint and several liabilities for compensation.

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## Interpretations

In this report, unless the context otherwise requires, the following abbreviations have the following meanings:

Summary of the present report/draft	Refer(s) to	Summary of Report of China Yangtze Power Co., Ltd. on Purchasing Assets by Issuing Shares and Paying Cash and Raising Subscription Funds as well as on Related Party Transaction (Draft)
This transaction/reorganization	Refer(s) to	The Company intends to purchase 100% equity of Yunchuan Company jointly held by CTG, Three Gorges Investment, YEIG, and SCEI by issuing shares and paying cash, and raising subscription funds by private placement of shares.
Material Assets Purchase Agreement	Refer(s) to	Material Assets Purchase Agreement of China Three Gorges Corporation, Yangtze River Three Gorges Investment Management Co., Ltd., Yunnan Provincial Energy Investment Group Co., Ltd., Sichuan Energy Industry Investment Group Co., Ltd., and China Yangtze Power Co., Ltd.
Supplementary Agreement to the Material Assets Purchase Agreement	Refer(s) to	Supplementary Agreement to the Material Assets Purchase Agreement of China Three Gorges Corporation, Yangtze River Three Gorges Investment Management Co., Ltd., Yunnan Provincial Energy Investment Group Co., Ltd., Sichuan Energy Industry

		Investment Group Co., Ltd., and China Yangtze Power Co., Ltd.
CYPC/Listed Company/the Company/Company	Refer(s) to	China Yangtze Power Co., Ltd.
Yunchuan Company/Target Company	Refer(s) to	Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd.
Object of transaction/underlying assets	Refer(s) to	100% equity of Yunchuan Company
Reorganization counterparty/counterparty	Refer(s) to	CTG, Three Gorges Investment, YEIG, and SCEI
CTG	Refer(s) to	China Three Gorges Corporation
Three Gorges Investment	Refer(s) to	Yangtze River Three Gorges Investment Management Co., Ltd.
YEIG	Refer(s) to	Yunnan Provincial Energy Investment Group Co., Ltd.
SCEI	Refer(s) to	Sichuan Energy Industry Investment Group Co., Ltd.
Yuntou Holdings	Refer(s) to	Yunnan Investment Group Co., Ltd.
Yuntianhua Group	Refer(s) to	Yuntianhua Group Co., Ltd.
Yunnan Metallurgical	Refer(s) to	Yunnan Metallurgical Group Co., Ltd.

Sichuan Development	Refer(s) to	Sichuan Development Holding Co., Ltd.
ICBCCS	Refer(s) to	ICBC Credit Suisse Asset Management Co., Ltd.
CTGCE	Refer(s) to	China Three Gorges Construction Engineering Corporation
Hubei Energy	Refer(s) to	Hubei Energy Group Co., Ltd.
CTGI	Refer(s) to	Three Gorges International Energy Investment Group Co., Ltd.
CIWEC	Refer(s) to	China International Water & Electric Corporation
Three Gorges Development	Refer(s) to	Yangtze Three Gorges Technology & Economy Development Co., Ltd.
China Three Gorges Renewables (Group) Co., Ltd. (CTGR)	Refer(s) to	China Three Gorges Renewables (Group) Co., Ltd.
Three Gorges Finance	Refer(s) to	Three Gorges Finance Co., Ltd.
Three Gorges Capital	Refer(s) to	Three Gorges Capital Holdings Co., Ltd.
Three Gorges Asset	Refer(s) to	Three Gorges Asset Management Co., Ltd.

State Grid	Refer(s) to	State Grid Corporation of China
Yunnan Power Grid	Refer(s) to	Yunnan Power Grid Co., Ltd.
CSG EHV	Refer(s) to	EHV Transmission Company of China Southern Power Grid Co., Ltd.
Independent Financial Adviser	Refer(s) to	CITIC Securities Co., Ltd., Huatai United Securities Co., Ltd.
CITIC Securities	Refer(s) to	CITIC Securities Co., Ltd.
Huatai United Securities	Refer(s) to	Huatai United Securities Co., Ltd.
Zhong Lun Law Firm	Refer(s) to	Beijing Zhong Lun Law Firm
Dahua CPA	Refer(s) to	Da Hua Certified Public Accountants (Special General Partnership)
CEA	Refer(s) to	China Enterprise Appraisals Co., Ltd.
Huayuan Longtai	Refer(s) to	Beijing Huayuan Longtai Real Estate Land Assets Appraisal Co., Ltd.
Articles of Association	Refer(s) to	Articles of Association of China Yangtze Power Co., Ltd.
Company Law	Refer(s) to	Company Law of the People's Republic of China

Securities Law	Refer(s) to	Securities Law of the People's Republic of China
Measures for the Administration of Reorganization	Refer(s) to	Administrative Measures for the Material Asset Reorganizations of Listed Companies
Measures for the Administration of the Issuance	Refer(s) to	Measures for the Administration of Securities Issuance by Listed Companies
Measures for the Administration of Acquisition	Refer(s) to	Measures for the Administration of the Acquisition of Listed Companies
Standards No. 26	Refer(s) to	Rules No. 26 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities - Major Asset Reorganization of Listed Companies
Provisions on Regulating Several Issues Concerning Material Asset Reorganizations	Refer(s) to	Provisions on Regulating Several Issues Concerning Material Asset Reorganizations of Listed Companies
Rules on the Listing of Shares	Refer(s) to	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Administrative Measures for the Financial Consultancy Business	Refer(s) to	Administrative Measures for the Financial Consultancy Business in the M&A and Reorganization of Listed Companies

SASAC	Refer(s) to	State-owned Assets Supervision and Administration Commission of the State Council
DRC/NDRC	Refer(s) to	National Development and Reform Commission (NDRC)
Ministry of Finance	Refer(s) to	Ministry of Finance of the People's Republic of China
Ministry of Human Resources and Social Security of the People's Republic of China	Refer(s) to	Ministry of Human Resources and Social Security of the People's Republic of China
Yunnan State-owned Assets Supervision and Administration Commission	Refer(s) to	State-owned Assets Supervision and Administration Commission of Yunnan Province
State-owned Assets Supervision and Administration Commission of Sichuan Province	Refer(s) to	State-owned Assets Supervision and Administration Commission of Sichuan Province
CSRC	Refer(s) to	China Securities Regulatory Commission
SSE	Refer(s) to	Shanghai Stock Exchange
RMB / RMB 10,000 / RMB 100,000,000	Refer(s) to	RMB Yuan / RMB 10,000 Yuan / RMB 100,000,000 Yuan

Reporting period	Refer(s) to	January 2020, 2021, and 2022
Base date of appraisal	Refer(s) to	31 January 2022
Transition Period	Refer(s) to	February 1, 2022 to the closing date

Unless otherwise stated, any unconformity between the total values and the mantissa of the sum of item values is caused due to rounding-off.

## Chapter I Major Event Notice

The words or abbreviations mentioned in this part have the same meanings given in the "Interpretation" of the summary of this report. The Company reminds investors to read the full summary of this report carefully and pay special attention to the following matters:

### I. Overview of Transaction Scheme

#### **(1) Purchasing Target Company by Issuing Shares and Paying Cash**

The Listed Company intends to purchase 100% equity of Yunchuan Company jointly held by CTG, Three Gorges Investment, YEIG, and SCEI by issuing shares and paying cash, after the transaction, the Listed Company will hold 100% equity of Yunchuan Company. The offering price of the shares issued by the Listed Company for assets purchasing is 18.27 yuan/share, which is not lower than 90% of one of the average transaction prices of the Listed Company's shares for 20, 60 or 120 transaction days before the base date for pricing.

Since the 2021 Annual Profit Distribution Plan has been reviewed and adopted at the general meeting of the Listed Company, the Listed Company will implement ex-right and ex-dividend matters for the offering price of shares issued in the purchase of assets by issuing shares and paying cash. The offering price of shares issued in the purchase of assets by issuing shares after adjustment is 17.46 yuan/share.

According to the appraisal results issued by CEA and filed by the competent state-owned assets supervision and administration institution, as of January 31, 2022, the appraisal value of or 100% equity of Yunchuan Company is 80,483,827,900 yuan, and the final transaction amount of this transaction was determined to be 80,483,827,900

yuan based on the appraisal results.

The Listed Company pays the consideration of the underlying assets by a combination of issuing shares and paying cash. The details are as follows:

Unit: 10,000 yuan

<b>Counterparty</b>	<b>Corresponding equity proportion in Yunchuan Company</b>	<b>Transaction consideration</b>	<b>Payment by issuing shares</b>	<b>Payment by paying cash</b>
CTG	40.00%	3,219,353.12	804,838.28	2,414,514.84
Three Gorges Investment	30.00%	2,414,514.84	-	2,414,514.84
YEIG	15.00%	1,207,257.42	402,419.14	804,838.28
SCEI	15.00%	1,207,257.42	402,419.14	804,838.28
<b>Total</b>	<b>100.00%</b>	<b>8,048,382.79</b>	<b>1,609,676.56</b>	<b>6,438,706.23</b>

## (2) Raising subscription funds

The Listed Company intends to raise subscription funds from no more than 35 specific investors by private placement of shares. The total amount of raised funds does not exceed 16,096,765,600 yuan and does not exceed 100% of the transaction consideration paid by issuing shares in this transaction. The number of issued shares does not exceed 30% of the Listed Company's total capital stock before the issuance.

The raised subscription funds are used to pay the cash consideration for the

transaction after intermediary fees and other related issuance fees are deducted. This asset purchase is not based on the successful raising of subscription funds, and whether the issuance of the raised subscription funds is successful or not does not affect the implementation of this asset purchase.

## II. Nature of the Transaction

### **(1) This transaction constitutes a related-party transaction.**

Among the counterparties of this transaction, CTG is the controlling shareholder of the Listed Company, Three Gorges Investment is a wholly-owned subsidiary of CTG, the controlling shareholder of the Listed Company, and Zong Renhuai, the director of the company, is a senior executive of SCEI. According to the Rules of Listing in Stock Exchange and other relevant regulations, CTG, Three Gorges Investment and SCEI are related parties of Listed Company, and this transaction constitutes a related party transaction.

When the board of directors of the Listed Company deliberates the proposals related to this transaction, the related directors have avoided voting; when the general meeting is held to deliberate the proposals related to this transaction, the related shareholders will avoid voting.

### **(2) This transaction constitutes major asset reorganization.**

The financial data and evaluation and pricing of the underlying assets are compared with the relevant financial data of the Listed Company in 2021 as follows:

Unit: 10,000 yuan

Item	Underlying assets		Public company	Proportion
	Financial data	Transaction amount		
Total assets	23,275,938.97	8,048,382.79	32,856,328.16	70.84%
Net assets	5,380,774.81		18,106,381.95	44.45%
Operating revenue	1,273,411.60	/	5,564,625.40	22.88%

Note: According to the Measures for the Administration of Reorganization and other relevant regulations, the calculation indicators of total assets and net assets of the underlying assets are the higher of the audited total assets of the underlying assets, net assets attributable to the parent company as at December 31, 2021 and the transaction amount of the underlying assets acquired this time.

This transaction meets the major asset reorganization standards stipulated in Article 12 of the Measures for the Administration of Reorganization, and constitutes a major asset reorganization of listed companies.

### **(III) This transaction does not constitute the reorganization listing**

The actual controller of the Listed Company was not changed within 36 months prior to the Transaction. The controlling shareholder of the Listed Company in the last 36 months before and after the Transaction is CTG, and the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council. The Transaction will not result in a change in the actual controller of the Listed Company.

According to the relevant provisions of the Measures for the Administration of

Reorganization, this transaction does not constitute the reorganization or listing as prescribed in Article 13 of the Measures for the Administration of Reorganization.

### III. Evaluation and Pricing of the Underlying Assets

According to the Asset Appraisal Report (CEAPBZ [2022] No.6206) issued by CEA and filed by the competent state-owned assets supervision and administration institution, this appraisal was implemented to evaluate the asset value of 100% equity of Yunchuan Company with the asset-based method and the income method, and the appraisal result reached by the asset-based method was finally taken as the appraisal conclusion. As of the appraisal base date, the appraisal of 100% equity of Yunchuan Company is as follows:

Unit: 10,000 yuan

Underlying assets	Book value	Assessed value	Appreciation /impairment	Increase or decrease rate	Evaluation Method
	A	B	C=B-A	D=C/A	-
100% equity of Yunchuan Company	5,681,869.37	8,048,382.79	2,366,513.43	41.65%	Asset-based approach
		7,987,743.09	2,305,873.73	40.58%	Income method

The appraisal result reached by the asset-based method is taken as the appraisal conclusion of the Asset Appraisal Report, that is, the appraisal value of 100% equity of Yunchuan Company is 80,483,827,900 yuan. According to the appraisal results, the final transaction amount is determined to be 80,483,827,900 yuan.

#### IV. Specific Plans for Assets Purchasing by Issuing Shares and Paying Cash

##### **(I) Type, par value and place of listing of shares to be issued**

The shares to be issued in this transaction are RMB A common shares with a par value of 1.00 yuan per share, and are listed on the Shanghai Stock Exchange.

##### **(II) Base date for pricing, pricing principle, and offering price**

The base date for pricing the assets purchased by issuing shares is the announcement date of the first resolution of the Board of Directors of the Listed Company on the matters related to this transaction, that is, the announcement date of the resolution of the 30th Meeting of the Fifth Board of Directors.

The issue price of shares issued by a listed company shall not be less than 90% of the market reference price as per Measures for the Administration of Reorganization. The market reference price is one of the average transaction prices of the Company's shares for 20, 60 or 120 transaction days before the base date for pricing. The average transaction prices are calculated by the following formula: average transaction prices of the Company's shares for certain transaction days before the base date for pricing = total transaction amount of the Company's shares for certain transaction days before the announcement date of the resolution/total transaction volume of the Company's shares for certain transaction days before the announcement date of the resolution.

After calculation, the average transaction prices of shares of the Listed Company for 20, 60 or 120 transaction days before the base date for pricing the assets purchased by issuing shares are as follows:

Unit: Yuan/share

<b>Market reference price</b>	<b>Average transaction price</b>	<b>90% of the average transaction price</b>
20 transaction days before the base date for pricing	20.30	18.27
60 transaction days before the base date for pricing	20.74	18.67
120 transaction days before the base date for pricing	20.30	18.27

After negotiation among the parties to this transaction, the offering price of the shares issued by the Listed Company for assets purchasing is determined as 18.27 yuan/share, which is not lower than 90% of one of the average transaction prices of the Listed Company's shares for 20, 60 or 120 transaction days before the base date for pricing.

During the period from the base date for pricing to the issue date of shares, if the Listed Company implements ex-right and ex-dividend matters such as dividend distribution, bonus issue, allotment of shares, and capitalization of surplus, the offering price will be adjusted accordingly. The specific adjustment methods of the offering price are as follows:

Assuming that the price of new shares before adjustment is  $P_0$ , the number of bonus shares issued or shares after capitalization for every share is  $N$ , the number of new shares issued or shares allotted for every share is  $K$ , the price of new shares issued or shares allotted is  $A$ , the dividend per share is  $D$ , and the price of new shares after adjustment is  $P_1$  (the adjusted value is rounded to two decimal places), then:

If the dividend distribution is implemented, then:  $P_1 = P_0 - D$

If the bonus issue or capitalization is implemented, then:  $P_1 = \frac{P_0}{(1 + N)}$

If the issuance of new shares or allotment of shares is implemented, then:  $P_1 = \frac{P_0 + A \times K}{(1 + K)}$

If the above three items are implemented simultaneously, then:  $P_1 = \frac{P_0 - D + A \times K}{(1 + K + N)}$

Since the 2021 Annual Profit Distribution Plan has been reviewed and adopted at the general meeting of the Listed Company, the Listed Company will implement ex-right and ex-dividend matters for the offering price of shares issued in the purchase of assets by issuing shares and paying cash. The offering price of shares issued in the purchase of assets by issuing shares after adjustment is 17.46 yuan/share.

### **(3) Investors to which the stocks are issued**

The investors to which the stocks are issued for assets purchasing include CTG, YEIG, and SCEI.

### **(4) Transaction amount and payment method of consideration**

According to the Asset Appraisal Report (CEAPBZ [2022] No.6206) issued by CEA and filed by the competent state-owned assets supervision and administration institution, this appraisal was implemented to evaluate the asset value of 100% equity of Yunchuan Company with the asset-based method and the income method, and the appraisal result reached by the asset-based method was finally taken as the appraisal conclusion. As of the appraisal base date, the appraisal of 100% equity of Yunchuan Company is as follows:

Unit: 10,000 yuan

Underlying assets	Book value	Assessed value	Appreciation /impairment	Increase or decrease rate	Evaluation Method
	A	B	C=B-A	D=C/A	-
100% equity of Yunchuan Company	5,681,869.37	8,048,382.79	2,366,513.43	41.65%	Asset-based approach
		7,987,743.09	2,305,873.73	40.58%	Income method

The appraisal result reached by the asset-based method is taken as the conclusion of the Asset Appraisal Report, that is, the appraisal value of 100% equity of Yunchuan Company is 80,483,827,900 yuan. According to the appraisal results, the final transaction amount is determined to be 80,483,827,900 yuan.

The Listed Company pays the consideration of the underlying assets by a combination of issuing shares and paying cash. The details are as follows:

Unit: 10,000 yuan

Counterparty	Corresponding equity proportion in Yunchuan Company	Transaction consideration	Payment by issuing shares	Payment by paying cash
CTG	40.00%	3,219,353.12	804,838.28	2,414,514.84
Three Gorges Investment	30.00%	2,414,514.84	-	2,414,514.84

<b>Counterparty</b>	<b>Corresponding equity proportion in Yunchuan Company</b>	<b>Transaction consideration</b>	<b>Payment by issuing shares</b>	<b>Payment by paying cash</b>
CTG	40.00%	3,219,353.12	804,838.28	2,414,514.84
YEIG	15.00%	1,207,257.42	402,419.14	804,838.28
SCEI	15.00%	1,207,257.42	402,419.14	804,838.28
<b>Total</b>	<b>100.00%</b>	<b>8,048,382.79</b>	<b>1,609,676.56</b>	<b>6,438,706.23</b>

#### **(5) Number of issued shares**

The Listed Company will issue 460,961,213 shares, 230,480,606 shares, and 230,480,606 shares to CTG, YEIG, and SCEI respectively to pay part of the consideration for the reorganization. The final number of shares issued will be subject to the approval of general meeting and the final approval of CSRC.

<b>Counterparty</b>	<b>Payment by issuing shares (10,000 yuan)</b>	<b>Number of shares issued (share)</b>
CTG	804,838.28	460,961,213
YEIG	402,419.14	230,480,606
SCEI	402,419.14	230,480,606
<b>Total</b>	<b>1,609,676.56</b>	<b>921,922,425</b>

Note 1: The number of shares issued this time = Payment by issuing shares ÷ the adjusted offering price of 17.46 yuan/share;

Note 2: The number of new shares acquired by the counterparties as calculated according to the

above formula is rounded down to the nearest integer, and the part of less than one share is included in the capital surplus.

During the period from the base date for pricing to the issue date, if the Listed Company implements ex-right and ex-dividend matters such as dividend distribution, bonus issue, allotment of shares, and capitalization of surplus, the number of shares issued will be adjusted accordingly based on the adjustment of the offering price.

#### **(6) Lockup period of shares**

The consideration shares acquired by CTG through this transaction shall not be transferred within 36 months from the date of the end of issuance of shares, except those assigned as permitted by applicable laws and regulations. If the closing price of the Listed Company's shares for 20 consecutive transaction days is lower than the offering price within 6 months after the completion of this transaction, or if the closing price is lower than the offering price at the end of 6 months after the completion of this transaction, the lockup period of the consideration shares acquired by CTG through this transaction will be automatically extended by 6 months on the basis of the original lockup period.

The consideration shares acquired by YEIG and SCEI through this transaction shall not be transferred within 12 months from the date of the end of issuance of shares, except those assigned as permitted by applicable laws and regulations.

During the share lockup period after the completion of this transaction, the consideration shares obtained by the counterparties and the shares increased due to the Listed Company's bonus issue, converting equity capital, and other reasons will also be subject to the aforesaid share lockup arrangements. If the CSRC or Shanghai Stock

Exchange had different opinions on the above-mentioned lockup period arrangement, this Company would adjust the above arrangement according to the CSRC's or Shanghai Stock Exchange's opinions thereupon and have it executed.

**(7) Profits or losses arrangements during the transition period**

The profits or losses arising from the operation of the underlying assets during the transition period from the appraisal base date (exclusive) to the closing date (inclusive) shall be enjoyed or undertaken by CTG, Three Gorges Investment, YEIG and SCEI based on their equity proportions in Yunchuan Company.

**(VIII) Arrangements for accumulated undistributed profits**

The undistributed profits accumulated by the Company before this issuance will be shared by the new and old shareholders of the Listed Company based on their shareholding proportions after this issuance, but the profits distributable to the shareholders realized by the Company during the transition period will not be shared for the new shares acquired by CTG, YEIG, and SCEI through this asset purchase.

**(IX) Validity period of the resolution**

The resolution on the Company's Transaction shall be valid within 12 months from the date of review and adoption at the general meeting. However, if the Company has obtained the approval document of the CSRC for this transaction within the transition period, the validity period of the resolution shall be automatically extended to the completion date of this transaction.

**V. Specific Plans for Raising Subscription Funds**

The Listed Company intends to raise subscription funds from no more than 35

specific investors by private placement of shares. The total amount of raised funds does not exceed 16,096,765,600 yuan and does not exceed 100% of the transaction consideration paid by issuing shares in this transaction. The number of issued shares does not exceed 30% of the Listed Company's total capital stock before the issuance.

The raised subscription funds are used to pay the cash consideration for the transaction after intermediary fees and other related issuance fees are deducted. This asset purchase is not based on the successful raising of subscription funds, and whether the issuance of the raised subscription funds is successful or not does not affect the implementation of this asset purchase.

If the raising of subscription funds fails to be implemented or the financing amount is lower than the expected amount, the Company will solve the problem by self-raised funds. Before the raised subscription funds are available, the Listed Company may use the self-raised funds for the above subscription fund purposes according to the market situation and its own actual situation and replace them after the raised funds are available.

If the scheme for raising subscription funds in this transaction is inconsistent with the latest regulatory opinions of the securities regulatory authorities, the Company will make corresponding adjustments based on the regulatory opinions of the relevant securities regulatory authorities.

#### **(I) Type, par value and place of listing of shares to be issued**

The shares to be issued for raising subscription funds by private placement of shares in this transaction are RMB A common shares with a par value of 1.00 yuan per share, and are listed on the Shanghai Stock Exchange.

## **(II) Base date for pricing, pricing principle, and offering price**

The base date for pricing of subscription funds to be raised by private placement of shares in this transaction is the first day of the private placement of shares. The offering price of shares to be issued for raising subscription funds by private placement of shares in this transaction shall not be lower than 80% of the average price of the Company's shares for 20 transaction days before the base date for pricing. The final offering price will be determined by the Board of Directors of the Listed Company through consultation with the parties based on the authorization of the general meeting and the subscription quotations of issue objects and according to the provisions of relevant laws, administrative regulations and normative documents after this transaction is approved by the China Securities Regulatory Commission.

## **(3) Investors to which the stocks are issued**

The Listed Company intends to raise subscription funds from no more than 35 specific investors by private placement of shares.

## **(IV) Issue size and number of shares issued**

The total amount of raised subscription funds does not exceed 16,096,765,600 yuan and does not exceed 100% of the transaction consideration paid by issuing shares in this transaction. The number of issued shares does not exceed 30% of the Listed Company's total capital stock before the issuance. The final number of shares to be issued for raising subscription funds will be determined according to the relevant provisions of the *Measures for the Administration of Securities Issuance by Listed Companies* and based on the inquiry results after the approval by the China Securities Regulatory Commission.

#### **(V) Lock-up period arrangement**

The Listed Company intends to raise subscription funds from no more than 35 specific investors by private placement of shares, and the shares subscribed by the above specific investors shall not be transferred in any way within 6 months from the end of issuance. After the completion of raising subscription funds by private placement of shares, the newly increased shares obtained by the subscribers from this transaction due to the Listed Company's bonus issue and converting equity capital will also be subject to the aforesaid share lockup arrangements. If the provisions of the lockup arrangement for the subscribed shares in the counterpart funds raised this time are inconsistent with the latest regulatory opinions of securities regulatory authorities, the Company and the subscribers will make corresponding adjustments and implement them according to the regulatory opinions of relevant securities regulatory authorities.

#### **(VI) Arrangements for accumulated undistributed profits**

The undistributed profits accumulated by the Company before this issuance of shares for raising subscription funds will be shared by the new and old shareholders of the Company based on their shareholding proportions after this issuance, but the profits distributable to the shareholders realized by the Company during the transition period will not be shared for the new shares acquired by CTG, YEIG, and SCEI through this asset purchase.

### **VI. Impact of the Transaction on Listed Companies**

#### **(1) Impact of the Transaction on the Main Business of the Listed Company**

Before the transaction, the Listed Company is primarily engaged in operations of large hydropower stations, and manages and operates six giant hydropower stations,

i.e., Three Gorges, Gezhouba, Xiluodu, Xiangjiaba, Wudongde, and Baihetan Hydropower Stations. (including Wudongde Hydropower Station and Baihetan Hydropower Station currently entrusted for management). As at January 31, 2022, the total installed capacity controlled by the Company was 45.595 GW (excluding Wudongde Hydropower Station and Baihetan Hydropower Station currently under entrusted management), ranking top among the global hydropower industry companies. The Yunchuan Company to be acquired in this transaction is the investment and operation subject of Wudongde Hydropower Station and Baihetan Hydropower Station. Wudongde Hydropower Station has an approved installed capacity of 10.2 GW and has been fully put into operation. Baihetan Hydropower Station has an approved installed capacity of 16 GW, and some units have been put into operation at present.

After the completion of the Transaction, the Listed Company will have six giant cascade stations in the main stream of the Yangtze River and increase its total installed capacity to 71.795 GW, up 57.46%. Before and after this transaction, the installed capacity of hydropower held by the Company is shown in the following table:

<b>Type/Name of Hydropower Station</b>	<b>Installed capacity held by the listed company before the transaction (10 MW)</b>	<b>Installed capacity held by the listed company after the transaction (10 MW)</b>
<b>China:</b>	<b>4,549.5</b>	<b>7,169.5</b>
Three Gorges	2,250.0	2,250.0
Gezhouba	273.5	273.5
Xiluodu	1,386.0	1,386.0
Xiangjiaba	640.0	640.0

<b>Type/Name of Hydropower Station</b>	<b>Installed capacity held by the listed company before the transaction (10 MW)</b>	<b>Installed capacity held by the listed company after the transaction (10 MW)</b>
Wudongde	-	1,020.0
Baihetan	-	1,600.0
<b>Overseas:</b>	<b>10.0</b>	<b>10.0</b>
<b>Total</b>	<b>4,559.5</b>	<b>7,179.5</b>

Note: "Holding installed capacity" refers to the total installed capacity of the wholly-owned or holding hydropower stations of the Company.

The core business of the Listed Company is still power generation, operation and investment, and the main business has not changed significantly. The joint dispatching capacity of the Listed Company in the Yangtze River Basin will be further enhanced, which will strengthen, expand and highlight its main hydropower business, and consolidate its position as a giant hydropower company in the world.

## **(2) Impact of the transaction on the main financial indicators of listed company**

According to the audited financial statements of 2021, the financial statements as at January 2022, and the reviewed proforma consolidated financial statements of 2021 and as at January 2022 of the Listed Company, the financial data of the Listed Company before and after this transaction (without considering supporting financing) are as follows:

Unit: 10,000 yuan

Item	January 31, 2022/January 2022			For the year ended on 31 December 2021		
	Pre-transaction	Post Transaction (Pro Forma)	Change	Pre-transaction	Post Transaction (Pro Forma)	Change
Total assets	32,575,234.72	57,119,872.09	75.35%	32,856,328.16	56,086,893.26	70.70%
Total liabilities	13,395,757.23	38,697,224.98	188.88%	13,827,505.88	38,115,968.34	175.65%
Equity attributable to the owners of the parent company	18,252,483.51	17,495,653.13	-4.15%	18,106,381.95	17,048,484.58	-5.84%
Operating revenue	333,783.95	432,103.33	29.46%	5,564,625.40	6,752,423.88	21.35%
Total profit	149,756.52	150,814.32	0.71%	3,240,934.42	3,685,329.31	13.71%
Net profit attributable to the owners of the parent company	121,675.61	122,742.60	0.88%	2,627,299.85	3,071,683.39	16.91%
Asset-liability ratio	41.12%	67.75%	26.63%	42.08%	67.96%	25.88%
Basic earnings per share	0.0535	0.0519	-2.99%	1.1553	1.2981	12.36%

Item	January 31, 2022/January 2022			For the year ended on 31 December 2021		
	Pre-transaction	Post Transaction (Pro Forma)	Change	Pre-transaction	Post Transaction (Pro Forma)	Change
Weighted average ROE	0.67%	0.71%	0.04%	14.92%	19.29%	4.37%

Note: The change rate of asset-liability ratio and return on net assets is absolute change rate.

Therefore, after the transaction, the total assets, income and profit scale of the Listed Company will be improved, and the sustainable profitability and anti-risk capability will be enhanced, which is in line with the interests of all shareholders of the Listed Company.

### (3) Impact of the Transaction on the Equity Structure of the Listed Company

Before the completion of the supporting financing after the purchase of assets by issuing shares, the shareholders' equity structure of the Listed Company is shown in the following table:

Name of shareholder	Before purchasing assets by offering shares		After purchasing assets by offering shares (Excluding supporting financing)	
	Number of shares held	Shareholding (%)	Number of shares held	Shareholding (%)
CTG	12,486,540,844	54.91%	12,947,502,057	54.71%
CTGCE	880,000,000	3.87%	880,000,000	3.72%

Name of shareholder	Before purchasing assets by offering shares		After purchasing assets by offering shares (Excluding supporting financing)	
	Number of shares held	Shareholding (%)	Number of shares held	Shareholding (%)
Three Gorges Finance	35,216,171	0.15%	35,216,171	0.15%
Three Gorges Capital	28,315,354	0.12%	28,315,354	0.12%
Three Gorges Asset	13,283,221	0.06%	13,283,221	0.06%
<b>Subtotal of CTG and its persons acting in concert</b>	<b>13,443,355,590</b>	<b>59.11%</b>	<b>13,904,316,803</b>	<b>58.76%</b>
SCEI	844,862,100	3.72%	1,075,342,706	4.54%
YEIG	726,053,158	3.19%	956,533,764	4.04%
Other investors	7,727,588,382	33.98%	7,727,588,382	32.66%
<b>Total</b>	<b>22,741,859,230</b>	<b>100.00%</b>	<b>23,663,781,655</b>	<b>100.00%</b>

Before the transaction, CTG was the controlling shareholder and SASAC was the actual controller of the Listed Company. After the transaction, CTG remains the controlling shareholder and SASAC remains the actual controller of the Listed Company. The upper limit of the total subscription funds to be raised this time is relatively small compared with the transaction amount of asset purchase, which is expected to have no significant impact on the equity structure. The transaction will not cause changes in the controlling shareholders and actual controllers of the Listed

Company, nor will it cause the distribution of the company's shareholding not meeting the listing conditions of the Shanghai Stock Exchange.

## VII. Decision-making Process and Approval of the Transaction

### **(1) The decision-making and approval procedures performed for the transaction**

1. The transaction plan has been deliberated and approved at the 30th Meeting of the Fifth Board of Directors of the Listed Company;

2. The Transaction Scheme has been deliberated and approved at the 8th Meeting of the Sixth Board of Directors of Listed Company;

3. The Transaction was reviewed and approved by the internal decision-making bodies of CTG, Three Gorges Investment, YEIG, and SCEI;

4. The asset appraisal results of this transaction have been filed by the competent state-owned assets supervision and administration institution.

### **(2) The decision-making and approval procedures to be performed for the transaction**

1. The transaction needs to be approved by the competent state-owned assets supervision and administration institution;

2. The general meeting of stockholders of the listed company will examine and approve the transaction scheme;

3. The transaction will be approved by the China Securities Regulatory Commission;

4. Other necessary approvals, verification, filings or permits required by relevant laws and regulations.

### VIII. Important Commitments of Parties to the Transaction

<b>Committed party</b>	<b>Name of commitment issued</b>	<b>Main content of the commitment</b>
Public company	Letter of Commitment on the Authenticity, Accuracy and Completeness of the Information Provided	<p>1. The Company guarantees that the relevant information provided to intermediary institutions participating in this transaction for this transaction is authentic, accurate, and integrated, without any false records, misleading statements, or major omissions, and that it assumes joint and several legal liabilities for the authenticity, accuracy, and integrity of such information provided.</p> <p>2. The Company guarantees that the information provided to the intermediary institutions participating in this transaction is authentic, accurate, and complete original or duplicate materials, the copies of which are consistent with the original materials. The signatures and seals of all documents are true and there are no false records, misleading statements, or major omissions;</p> <p>3. The Company guarantees that the descriptions and confirmations issued for this transaction are authentic, accurate, and integrated, without any false records, misleading statements, or major omissions.</p> <p>4. The Company guarantees that it has reviewed the documents, which are issued by the Company, and the contents in relation</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>thereto referred by the intermediary institutions in the application documents of this transaction, and confirms that the application documents of this transaction are free of false records, misleading statements, or major omissions due to the reference of the above contents.</p> <p>5. The Company is aware of the possible legal consequences of the above commitments, and will bear legal responsibilities according to law for acts in violation of the above commitments.</p>
	Letter of Statement and Commitment on No Illegal Acts and Violations	<p>1. The Company and its incumbent directors, supervisors and senior executives are not subject to a criminal investigation by the judicial authority for its suspected involvement in any crime or official investigation by the China Securities Regulatory Commission for its suspected violation of any law or regulation.</p> <p>2. The Company has not been subjected to administrative penalty (except for those obviously unrelated to the securities market), criminal penalty or major civil lawsuit or arbitration related to economic disputes in the past three years. The Company has not been subject to public condemnation by the stock exchange in the past 12 months, and there is no other major dishonest behavior.</p> <p>3. The current directors, supervisors and senior executives of the Company have not been subject to administrative penalties (except</p>

Committed party	Name of commitment issued	Main content of the commitment
		for those obviously unrelated to the securities market) or criminal penalty in the past three years, and have not involved in major civil lawsuits or arbitration related to economic disputes.
	Letter of Commitment on Certain Matters of the Transaction	<p>1. The Company has not illegally provided external guarantee or has its funds been occupied by the controlling shareholders, actual controllers and other enterprises under its control of the Listed Company by borrowing, compensating debts, advances offered for others or other ways in the past 12 months.</p> <p>2. The Company guarantees that it has legally fulfilled its legal obligations of information disclosure and reporting in this transaction, and that the information disclosure and reporting are legal and effective, and there are no contracts, agreements, arrangements or other matters that should be disclosed but not disclosed.</p> <p>3. The Company promises that it will not disclose the insider information of the asset restructuring or use the transaction information for insider trading.</p> <p>4. The Company has no other circumstances that seriously damage the legitimate rights and interests of investors and social public interests.</p> <p>In case of any losses caused to other parties involved in this</p>

Committed party	Name of commitment issued	Main content of the commitment
		transaction due to violation of the above commitments, the Company shall bear the compensation responsibilities according to law.
All directors, supervisors and senior executives of Listed Company	Letter of Commitment on the Authenticity, Accuracy and Completeness of the Information Provided	<p>1. I guarantee that the relevant information provided to the Listed Company and intermediary institutions participating in this transaction for this transaction is authentic, accurate, and integrated, without any false records, misleading statements, or major omissions, and that I assume joint and several legal liabilities for the authenticity, accuracy, and integrity of such information provided.</p> <p>2. I guarantee that the information provided to the Listed Company and intermediary institutions participating in this transaction is authentic, accurate, and complete original or duplicate materials, the copies of which are consistent with the original materials. The signatures and seals of all documents are true and there are no false records, misleading statements, or major omissions;</p> <p>3. I guarantee that the descriptions and confirmations issued for this transaction are authentic, accurate, and integrated, without any false records, misleading statements, or major omissions.</p> <p>4. I guarantee that I have reviewed the documents, which are issued by me, and the contents in relation thereto referred by the</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>intermediary institutions in the application documents of this transaction, and confirm that the application documents of this transaction are free of false records, misleading statements, or major omissions due to the reference of the above contents.</p> <p>5. If this transaction is filed for investigation by judicial authorities or by China Securities Regulatory Commission due to suspected false records, misleading statements or major omissions in the information provided or disclosed, I will suspend the transfer of the shares (if any) of the listed company held by them until a definitive conclusion is reached. I will submit the written application for suspension of transfer and the stock account to the board of directors of the Listed Company within two trading days upon receipt of the notice of filing inspection, and the board of directors of the Listed Company will apply to Shanghai Stock Exchange (SSE) and China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the "Registration and Clearing Company") for lockup on its behalf. If I fail to submit a lock-up application within two trading days, I authorize the board of directors of the Listed Company to directly submit the identity information and account information of me to the stock exchange and the registration and clearing company after verification and</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>apply for lock-up. If the board of directors fails to do so, I authorize SSE and the registration and clearing company to directly lock the relevant shares. If the investigation concluded that violations of laws and regulations occurred and legal liability arose, I promise to use the voluntarily locked up shares for the compensation arrangement to relevant investors;</p> <p>6. I am aware of the possible legal consequences of the above commitments, and will bear legal responsibilities according to law for acts in violation of the above commitments.</p>
	<p>Letter of Commitment on No Shareholding Reduction Plan</p>	<p>I have no shareholding reduction plan and I will not reduce the share in the Listed Company from the date of resumption of trading for this transaction to the date of completion. The aforesaid shares include the shares of the Listed Company (if any) held by me before this transaction and the derivative shares (if any) formed due to the bonus issue, converting equity capital, and other reasons of the Listed Company during the above period.</p> <p>The above commitments are true, accurate and complete, without any false records, misleading statements, or major omissions. This commitment letter shall come into force as of the date of signature by me. If the Listed Company suffers losses due to my violation of this commitment, I am willing to bear corresponding legal</p>

Committed party	Name of commitment issued	Main content of the commitment
		responsibilities according to law for the above commitment.
	Letter of Statement and Commitment on No Illegal Acts and Violations	<p>1. I am not subject to a criminal investigation by the judicial authority for the suspected involvement in any crime or official investigation by the China Securities Regulatory Commission for the suspected violation of any law or regulation.</p> <p>2. I have not been subject to administrative penalties (except for those obviously unrelated to the securities market) or criminal penalty in the past three years, and have not involved in major civil lawsuits or arbitration related to economic disputes.</p> <p>3. I have not been subject to administrative penalty by China Securities Regulatory Commission in the last 36 months or the public condemnation by the stock exchange in the past 12 months.</p>
	Letter of Commitment on Certain Matters of the Transaction	<p>1. During my term as a director, supervisor or senior executive of the Listed Company, I strictly abide by the provisions of laws, administrative regulations and the Articles of Association of the Company, and have been faithful and diligent to the Company, and have not violated the provisions of Articles 147 and 148 of the <i>Company Law</i>;</p> <p>2. I guarantee that I and the Listed Company has legally fulfilled the legal obligations of information disclosure and reporting in this transaction, and that the information disclosure and reporting are</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>legal and effective, and there are no contracts, agreements, arrangements or other matters that should be disclosed but not disclosed.</p> <p>3. I promise that I will not disclose the insider information of the transaction or use the transaction information for insider trading.</p>
Controlling shareholder and persons acting in concert of listed company	Letter of Commitment on No Active Shareholding Reduction Plan	<p>There is no active shareholding reduction plan for the Company from the date of resumption of trading for this transaction to the date of completion, and the Company will not actively reduce its share in the Listed Company held except for the passive reduction due to the exchange of exchangeable corporate bonds approved by the regulatory authority and the increasing of guaranteed shares due to the exchange of cash dividends for exchangeable corporate bonds. The aforesaid shares include the shares of the Listed Company held by the Company before this transaction and the derivative shares formed due to the bonus issue, converting equity capital, and other reasons of the Listed Company during the above period.</p>
	Letter of Commitment on Certain Matters of the	<p>1. There is no serious damage that has not been eliminated to the rights and interests of the Listed Company;</p> <p>2. The Company has fulfilled the confidentiality obligation for the information related to this transaction, and there is no illegal</p>

Committed party	Name of commitment issued	Main content of the commitment
	Transaction	<p>activities such as insider trading and securities market manipulation by using the information related to this transaction;</p> <p>3. The Company is not subject to a criminal investigation by the judicial authority for the suspected involvement in any crime or official investigation by the China Securities Regulatory Commission for the suspected violation of any law or regulation, not subject to administrative penalties (except for those obviously unrelated to the securities market) or criminal penalty in the past 36 months, not subject to public condemnation by the stock exchange in the past 12 months, not engaged in behavior of failing to fulfill the public commitment made to the listed company or investors within the last 12 months, and there is no other major violations of laws and regulations or major dishonest behaviors.</p>
Yunchuan Company	Letter of Commitment on the Authenticity, Accuracy and Completeness of the Information	<p>1. The Company has provided information and documents related to this transaction to the Listed Company and the intermediary agencies providing professional services of auditing, evaluation, law and financial consultancy for this transaction, including but not limited to all information to be disclosed in relation to assets, liabilities, historical evolution, relevant warrants, business status, personnel; There are no contracts, agreements, arrangements or other matters that should be disclosed but not disclosed;</p>

Committed party	Name of commitment issued	Main content of the commitment
	Provided	<p>2. The Company guarantees that the copies or photocopies of the documents provided are consistent with the original ones, and the signatures and seals on such documents are true. The signatories of such application documents have legally authorized and validly signed such documents;</p> <p>3. The Company guarantees the relevant information provided for this transaction is authentic, accurate, and integrated, without any false records, misleading statements, or major omissions, and that it assumes corresponding legal liabilities for the authenticity, accuracy, and integrity of such information provided. It will bear the compensation liability in accordance with the law if losses are caused to the Listed Company or investors due to false records, misleading statements, or major omissions in the information or materials provided.</p> <p>4. According to the process of this transaction, the Company will provide and disclose the information on this transaction to the Listed Company in a timely manner in accordance with the relevant laws, administrative regulations, departmental rules, normative documents, and the relevant provisions of the China Securities Regulatory Commission and the stock exchange, and guarantee the authenticity, accuracy, and integrity of such information. If losses</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>are caused to the Listed Company or investors due to the false records, misleading statements, or major omissions of the information provided, the Company will assume legal liabilities in accordance with the law.</p> <p>5. The Company guarantees that the information disclosed or provided for this transaction is authentic, accurate, and integrated, without any false records, misleading statements, or major omissions, and that it assumes legal liabilities for the authenticity, accuracy, and integrity of such information provided. The Company will bear the compensation liability in accordance with the law if losses are caused to the Listed Company or investors.</p>
CTG, Three Gorges Investment, YEIG, and SCEI	Letter of Commitment on the Authenticity, Accuracy and Completeness of the Information Provided	<p>1. The Company guarantees that it will provide the information related to this transaction to the Listed Company in a timely manner; the relevant information provided for this transaction matters is authentic, accurate, and integrated, without any false records, misleading statements, or major omissions; and that it assumes corresponding legal liabilities for the authenticity, accuracy, and integrity of such information provided. The Company will bear the compensation liability in accordance with the law if losses are caused to the Listed Company or investors due to false records, misleading statements, or major omissions in the</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>information provided.</p> <p>2. The Company guarantees that the materials provided to all the intermediary agencies participating in this transaction are authentic and original written materials or duplicate materials, the copies or photocopies of which are as authentic and original as the primary materials or originals; that the signatures and seals on all documents are authentic; the signatories of such documents have been legally authorized to effectively sign them, and there is no false records, misleading statements or major omissions. The Company guarantees that its statutory obligation of disclosure and reporting are fully performed, and there are no undisclosed contracts, agreements, arrangements, or other matters that ought to be disclosed. In case of violation of the aforesaid commitments, the Company will assume legal liabilities in accordance with the law.</p> <p>3. The Company guarantees that the descriptions and confirmations issued for this transaction are authentic, accurate, and integrated, without any false records, misleading statements, or major omissions.</p> <p>4. The Company guarantees that it has reviewed the documents, which are issued by the Company, and the contents in relation thereto referred by the intermediary institutions in the application</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>documents of this transaction, and confirms that the application documents of this transaction are free of false records, misleading statements, or major omissions due to the reference of the above contents.</p> <p>5. If the information provided or disclosed by the Company in this transaction is suspected of false records, misleading statements, or major omissions, and thus is subject to a case investigation of the judicial organ or of the China Securities Regulatory Commission, the Company will not transfer the shares in which it has equity in the Listed Company at that time before any investigation conclusion is formed, and it will submit the written application for suspension of transfer and the stock account to the board of directors of the Listed Company within two trading days after receiving the notice of filing an inspection, and the latter will apply for lockup to the stock exchange and the depository and clearing company on behalf of the Company. If the Company fails to submit the lockup application within two trading days, the Company agrees to authorize the board of directors of the Listed Company to directly submit the identity information and account information of the Company to the stock exchange and the depository and clearing company after verification and apply for lockup. If the board of</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>directors of the Listed Company fails to submit the identity information and account information of the Company to the stock exchange and the depository and clearing company, the Company agrees to authorize the stock exchange and the depository and clearing company to directly lock up the relevant shares. If the investigation concluded that violations of laws and regulations occurred and legal liability arose, the Company promises to use the voluntarily locked up shares for the compensation arrangement to relevant investors;</p> <p>6. The Company guarantees that it is willing to assume legal liabilities in accordance with laws for all the losses caused to the related parties arising from the violations of the aforesaid commitments.</p>
CTG	Letter of Commitment on Guaranteeing the Independence of the Listed Company	<p>Upon the completion of this transaction, the Company promises that it will, in accordance with the requirements of relevant laws, regulations, and normative documents, completely separate itself from the Listed Company in terms of personnel, assets, business, institution, and finance; not engage in any acts affecting the independence of personnel, independence and integrity of assets, independence of business, institution, and finance of the Listed Company; not prejudice the interests of the Listed Company and</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>other shareholders; and effectively ensure the independence of the Listed Company in terms of personnel, assets, business, institution, and finance.</p> <p>(I) Ensure the independence of the Listed Company's personnel.</p> <p>1. Ensure that the senior executives of the Listed Company all hold full-time positions in the Listed Company and receive remuneration, and not hold positions other than directors and supervisors at the promisor and other enterprises under its control (excluding positions within the Party).</p> <p>2. Ensure that the directors, supervisors, and senior executives of the Listed Company are elected, replaced, appointed, or dismissed in accordance with the provisions of laws, regulations, normative documents, and the Articles of Association and that the appointment and dismissal of the aforesaid personnel of the Listed Company will not be illegally intervened beyond the board of directors and the general meeting.</p> <p>3. Ensure that the personnel relationship and labor relationship of the Listed Company are independent of the Company and other enterprises under its control.</p> <p>(II) Ensure the independence and integrity of the Listed Company's assets.</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>1. Ensure that the Listed Company and subsidiaries under its control own independent and integrated assets.</p> <p>2. Ensure that the funds, assets, and other resources of the Listed Company are not illegally occupied except for regular business transactions.</p> <p>(III) Ensure the independence of the Listed Company's finance.</p> <p>1. Ensure that the Listed Company establishes independent financial departments and independent financial accounting systems, and develops standardized and independent financial accounting systems.</p> <p>2. Ensure that the Listed Company independently opens accounts at the bank, rather than sharing bank accounts with the promisor.</p> <p>3. Ensure that the financial personnel of the Listed Company will not take part-time positions and receive remuneration from the promisor and other enterprises under its control.</p> <p>4. Ensure that the Listed Company is able to make financial decisions independently and that the promisor will not interfere with the Listed Company's use of funds.</p> <p>(IV) Ensure the independence of Listed Company' institutions.</p> <p>1. Ensure that the Listed Company establishes a sound corporate governance institution; has an independent and integrated</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>organizational structure, and is completely separated from the institutions of the promisor; and that the Listed Company is completely separated from the promisor and other enterprises under its control in terms of official institutions and production and operation premises.</p> <p>2. Ensure that the general meeting, board of directors, independent directors, board of supervisors, general manager, etc. of the Listed Company exercise their functions and powers independently in accordance with laws, regulations, and the Articles of Association and that the promisor will not directly or indirectly interfere with the decision-making and operation of the Listed Company beyond the general meeting.</p> <p>(V) Ensure the independence of the Listed Company's business.</p> <p>1. Ensure that the Listed Company has the assets, personnel, qualifications, and ability to independently carry out business activities, and have the ability to independently operate as a going concern with an orientation towards the market.</p> <p>2. Ensure that no intervention will be made in the business activities of the Listed Company except by exercising the shareholders' rights.</p> <p>3. Promise to maintain business independence from the Listed</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>Company after the completion of this issuance and that there is no substantial horizontal competition or related party transactions which are evidently unfair, nor will such competition or transactions occur.</p>
	<p>Letter of Commitment on Description of Relationship of Related Parties and Regulating and Reducing Related Party Transactions</p>	<p>1. The Company is the controlling shareholder of both the Listed Company and Yangtze River Three Gorges Investment Management Co., Ltd. (hereinafter referred to as "Three Gorges Investment"), which is one of the counterparties to this transaction. Therefore, the Company is deemed as a related party to the Listed Company and Three Gorges Investment in accordance with the <i>Company Law of the People's Republic of China</i>, the <i>Securities Law of the People's Republic of China</i>, and the <i>Rules Governing the Listing of Stocks on Shanghai Stock Exchange</i>. Except for the aforesaid circumstances, the Company has no relationship of related parties with the independent financial advisors, asset appraisal institutions, accounting firms, law firms, and other securities service institutions of this transaction as well as other counterparties except Three Gorges Investment.</p> <p>2. The Company and the relevant enterprises under its control will exercise the rights of directors and shareholders of the Company in accordance with the <i>Company Law</i> and other relevant laws and</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>regulations, the Listed Company's <i>Articles of Association</i>, its decision-making system for related party transactions, and other relevant provisions; and perform the obligation of withdrawing from voting when the board of directors and general meeting vote on related party transactions regarding the Company;</p> <p>3. After this transaction was over, the related party transaction between this Company and other enterprises controlled by this Company and the listed company would be reduced and avoided as much as possible. When the related party transaction was really needed but unable to be evaded, it ensured to conduct fair operation according to the marketization principle and fair price, and perform the procedure of related party transaction and obligation of information disclosure according to the provisions of such normative documents as the related laws, regulations and rules and Articles of Association of the Listed Company. The Company guarantees not to prejudice the legitimate rights and interests of the Listed Company and other shareholders through related party transactions;</p> <p>4. The Company promises not to prejudice the legitimate rights and interests of the Listed Company and other shareholders by taking advantage of the status of the controlling shareholder of the Listed</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>Company.</p> <p>5. The Company will eliminate the occupation of non-operation funds and assets of the Listed Company; and without the approval of the general meeting, the Listed Company is not required to provide any form of guarantee to the Company and other enterprises under its control;</p> <p>6. This commitment will come into force once it is made, and will continue to be valid and unchangeable or irrevocable during the period when the Company holds shares of the Listed Company and is recognized as a related party of the Listed Company in accordance with the relevant provisions.</p>
	Letter of Commitment on Matters concerning Avoiding Horizontal Competition with the Listed Company	<p>1. The Company and other enterprises directly or indirectly under its control are not engaged in any business that constitutes substantial competition with the main business of CYPC, nor are they operating or helping others operating any business that constitutes substantial competition with the main business of CYPC directly or in the form of investment holding, shareholding, joint venture, or association, among others.</p> <p>2. In order to avoid the substantial horizontal competition between the Company and other enterprises under its control and the Listed Company and its subordinate companies, the Company promises</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>not to directly or indirectly engage in, participate in or assist others in any business or other business activity that has a substantial competitive relationship with the business engaged in by the Listed Company and its subordinate companies in any form (including but not limited to a joint venture, cooperation, association, investment, merger, entrusted operation independently or jointly with other parties), and the Company will try its best to procure other enterprises under its control to conform to the same obligations as the commitment of the Company.</p> <p>3. The Company guarantees to compensate the Listed Company and its subordinate companies for the losses or expenses suffered or incurred due to the Company's violation of this commitment.</p>
	Letter of Commitment on Lockup of Shares	<p>1. The Company promises not to transfer the shares of the Listed Company that have been held before this transaction within 18 months after the completion of this transaction, including but not limited to direct or indirect transfer through public transfer in the securities market, transfer through an agreement, or other means (except for passive lessening due to the exchange of exchangeable corporate bonds approved by the regulatory authority and the increasing of guaranteed shares due to the exchange of cash dividends for exchangeable corporate bonds). During the share</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>lockup period, the shares increased due to the Listed Company's bonus issue, converting equity capital, and other reasons will also be subject to the aforesaid share lockup arrangements.</p> <p>2. The Company promises that the consideration shares acquired by the Company through this transaction will not be transferred within 36 months from the date of the end of issuance in this transaction, except those transferred as permitted by applicable laws and regulations. Within 6 months after this transaction is over, if the closing price of the Listed Company share is lower than the offering price of the current subscribed shares of the Company for 20 trading days in succession, or if the closing price at the end of 6 months after the completion of this transaction is lower than the offering price of the current subscribed shares of the Company, the Company voluntarily agrees that the lockup period of the consideration shares acquired by the Company through this transaction will automatically be prolonged for another 6 months on the basis of original lockup period.</p> <p>During the share lockup period after the completion of this transaction, the newly increased shares obtained by the Company from the Listed Company and the shares increased due to the Listed Company's bonus issue, converting equity capital, and other</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>reasons will also be subject to the aforesaid share lockup arrangements.</p> <p>If the commitment during the lockup period made by the Company on the basis of shares obtained in this transaction is inconsistent with the latest regulatory opinions of the China Securities Regulatory Commission and the Shanghai Stock Exchange, the Company will adjust and implement the Letter of Commitment accordingly in accordance with such opinions.</p> <p>After the expiration of the aforesaid share lockup period, the Company will conduct share trading in accordance with the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange.</p>
Three Gorges Investment	Letter of Commitment on Description of Relationship of Related Parties and Regulating and Reducing	<p>1. The Company recommends no candidates for directors, supervisors, and senior executives to the Listed Company, and the controlling shareholder of the Company—China Three Gorges Corporation (hereinafter referred to as "CTG"), is also the controlling shareholder of the Listed Company and one of the counterparties of the Listed Company in this transaction.</p> <p>Therefore, the Company is deemed as a related party of CTG and the Listed Company in accordance with the <i>Company Law of the People's Republic of China</i>, the <i>Securities Law of the People's</i></p>

Committed party	Name of commitment issued	Main content of the commitment
	Related Party Transactions	<p><i>Republic of China</i>, and the <i>Rules Governing the Listing of Stocks on Shanghai Stock Exchange</i>. Except for the aforesaid circumstances, the Company has no relationship of related parties with the independent financial advisors, asset appraisal institutions, accounting firms, law firms, and other securities service institutions of this transaction as well as other counterparties except CTG.</p> <p>2. The Company and the relevant enterprises under its control will exercise the rights of directors and shareholders of the Company in accordance with the <i>Company Law</i> and other relevant laws and regulations, the Listed Company's <i>Articles of Association</i>, its decision-making system for related party transactions, and other relevant provisions; and perform the obligation of withdrawing from voting when the board of directors and general meeting vote on related party transactions regarding the Company;</p> <p>3. After this transaction was over, the related party transaction between this Company and other enterprises controlled by this Company and the listed company would be reduced and avoided as much as possible. When the related party transaction was really needed but unable to be evaded, it ensured to conduct fair operation according to the marketization principle and fair price, and perform the procedure of related party transaction and obligation of</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>information disclosure according to the provisions of such normative documents as the related laws, regulations and rules and Articles of Association of the Listed Company. The Company guarantees not to prejudice the legitimate rights and interests of the Listed Company and other shareholders through related party transactions;</p> <p>4. The Company promises not to prejudice the legitimate rights and interests of the Listed Company and other shareholders by taking advantage of the status of the shareholder of the Listed Company.</p> <p>5. The Company will eliminate the occupation of non-operation funds and assets of the Listed Company; and without the approval of the general meeting, the Listed Company is not required to provide any form of guarantee to the Company and other enterprises under its control;</p> <p>6. This commitment will come into force once it is made, and will continue to be valid and unchangeable or irrevocable during the period when the Company holds shares of the Listed Company and is recognized as a related party of the Listed Company in accordance with the relevant provisions.</p>
Three Gorges	Letter of Commitment	After the completion of this transaction, ensure that the Listed Company is completely separated from the Company and other

Committed party	Name of commitment issued	Main content of the commitment
Investment, YEIG, and SCEI	on Guaranteeing the Independence of the Listed Company	enterprises under its control in terms of personnel, assets, finance, institution, and business, and maintain the independence of the Listed Company in terms of personnel, assets, finance, institution, and business.
YEIG and SCEI	Letter of Commitment on Lockup Period of Subscribed Shares	<p>The Company promises that the consideration shares acquired by the Company through this transaction will not be transferred within 12 months from the date of the end of issuance in this transaction (hereinafter referred to as the "share lockup period"), except those transferred as permitted by applicable laws and regulations.</p> <p>During the share lockup period after the completion of this transaction, the newly increased shares obtained by the Company from the Listed Company and the shares increased due to the Listed Company's bonus issue, converting equity capital, and other reasons will also be subject to the aforesaid share lockup arrangements.</p> <p>If the commitment during the lockup period made by the Company on the basis of shares obtained in this transaction is inconsistent with the latest regulatory opinions of the China Securities Regulatory Commission and the Shanghai Stock Exchange, the</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>Company will adjust and implement the Letter of Commitment accordingly in accordance with such opinions.</p> <p>After the expiration of the aforesaid lockup period, the Company will conduct share trading in accordance with the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange.</p>
YEIG	<p>Letter of Commitment on Description of Relationship of Related Parties and Regulating and Reducing Related Party Transactions</p>	<p>1. The Company recommends one director and one supervisor to the Listed Company, and the Company directly holds the equity interests of the Listed Company. Except for the aforesaid circumstance, there is no relationship of related parties under the <i>Rules Governing the Listing of Stocks on Shanghai Stock Exchange</i> between the Company and the Listed Company, the securities service institution participating in this transaction, and other counterparties.</p> <p>2. The Company and the relevant enterprises under its control will exercise the rights of directors and shareholders of the Company in accordance with the <i>Company Law</i> and other relevant laws and regulations, the Listed Company's <i>Articles of Association</i>, its decision-making system for related party transactions, and other relevant provisions; and perform the obligation of withdrawing from voting when the board of directors and general meeting vote</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>on related party transactions regarding the Company;</p> <p>3. The Company will avoid all acts of illegally occupying the funds and assets of the Listed Company and its subsidiaries within the scope of the merger and without the approval of the general meeting, the Listed Company and its subsidiaries are not required to provide any form of guarantee to the Company and the relevant enterprises under its control.</p> <p>4. The Company and the relevant enterprises under its control will avoid and reduce the related party transactions with the Listed Company and its subsidiaries as much as possible. For the related party transactions that cannot be avoided or occur due to justified reasons, the principles of fairness, equality, and openness of the market will be followed; an agreement will be signed in accordance with the law; the legal procedures will be performed; the information disclosure obligations will be performed, and relevant submission for approval procedures will be handled in accordance with the <i>Articles of Association</i> of the Listed Company, the decision-making system for related party transactions, relevant laws and regulations, and the <i>Rules Governing the Listing of Stocks on Shanghai Stock Exchange</i> to ensure that the legitimate rights and interests of the Listed Company and other shareholders are not</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>prejudiced through related party transactions.</p> <p>5. The Company will bear the compensation liability in accordance with the law for all losses caused to the Listed Company or its subsidiaries due to the Company's violation of the commitments made in this Letter of Commitment.</p> <p>6. This commitment will come into force once it is made, and will continue to be valid and unchangeable or irrevocable during the period when the Company holds shares of the Listed Company and is recognized as a related party of the Listed Company in accordance with the relevant provisions.</p>
SCEI	<p>Letter of Commitment on Description of Relationship of Related Parties and Regulating and Reducing Related Party Transactions</p>	<p>1. The Company recommends one director and one supervisor to the Listed Company, and the Company directly holds the equity interests of the Listed Company. Except for the aforesaid circumstance, there is no relationship of related parties under the <i>Rules Governing the Listing of Stocks on Shanghai Stock Exchange</i> between the Company and the Listed Company, the securities service institution participating in this transaction, and other counterparties.</p> <p>2. The Company and the relevant enterprises under its control will exercise the rights of directors and shareholders of the Company in accordance with the <i>Company Law</i> and other relevant laws and</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>regulations, the Listed Company's <i>Articles of Association</i>, its decision-making system for related party transactions, and other relevant provisions; and perform the obligation of withdrawing from voting when the board of directors and general meeting vote on related party transactions regarding the Company;</p> <p>3. The Company will avoid all acts of illegally occupying the funds and assets of the Listed Company and its subsidiaries within the scope of the merger and without the approval of the general meeting, the Listed Company and its subsidiaries are not required to provide any form of guarantee to the Company and the relevant enterprises under its control.</p> <p>4. The Company and the relevant enterprises under its control will avoid and reduce the related party transactions with the Listed Company and its subsidiaries as much as possible. For the related party transactions that cannot be avoided or occur due to justified reasons, the principles of fairness, equality, and openness of the market will be followed; an agreement will be signed in accordance with the law; the legal procedures will be performed; the information disclosure obligations will be performed, and relevant submission for approval procedures will be handled in accordance with the <i>Articles of Association</i> of the Listed Company, the</p>

Committed party	Name of commitment issued	Main content of the commitment
		<p>decision-making system for related party transactions, relevant laws and regulations, and the <i>Rules Governing the Listing of Stocks on Shanghai Stock Exchange</i> to ensure that the legitimate rights and interests of the Listed Company and other shareholders are not prejudiced through related party transactions.</p> <p>5. The Company will bear the compensation liability in accordance with the law for all losses caused to the Listed Company or its subsidiaries due to the Company's violation of the commitments made in this Letter of Commitment.</p> <p>6. This commitment will come into force once it is made, and will continue to be valid and unchangeable or irrevocable during the period when the Company holds shares of the Listed Company and is recognized as a related party of the Listed Company in accordance with the relevant provisions.</p>

## X. Arrangements for the Protection of the Rights and Interests of Small- and Medium-sized Investors in this Transaction

During this transaction, the Listed Company will adopt the following arrangements and measures to protect the legitimate rights and interests of investors, especially small- and medium-sized investors:

### (I) Strictly perform the information disclosure obligations of the Listed

## **Company**

The Company and relevant person with information disclosure obligations will effectively perform the obligation of information disclosure in strict accordance with the requirements of laws and regulations such as the *Company Law*, the *Securities Law*, the *Measures for the Administration of Reorganization*, the *Standards No. 26*, and the *Notice of China Securities Regulatory Commission on Regulating the Information Disclosure of Listed Companies and the Acts of All the Related Parties*, and timely and fairly disclose all major events that may have a great impact on the stock trading prices of the Listed Company. After the summary of this report is disclosed, the Company will continue to authentically, accurately, and integrally disclose the progress of this transaction in accordance with the requirements of relevant regulations.

## **(II) Strictly perform the procedures for reviewing and voting of the Listed Company**

The Listed Company will perform the statutory procedures for voting and disclosing in the course of this transaction in strict accordance with the relevant provisions. This transaction constitutes a related party transaction, which has been recognized by independent directors in advance before being submitted to the board of directors for review, and independent directors have expressed their opinions on this transaction. The Company will convene the meetings of the board of directors and the board of supervisors to review and approve relevant proposals for this transaction and the relevant resolutions comply with the provisions of the *Company Law*, other applicable laws, administrative regulations, departmental rules, and other normative documents, and the *Articles of Association*.

**(III) The general meeting provides an online voting platform.**

The Company will provide an online voting platform for the voting on this Transaction Scheme in accordance with the *Provisions on Strengthening the Protection of the Rights and Interests of the General Public Shareholders* issued by the China Securities Regulatory Commission ("CSRC"). Shareholders may vote on the spot or carry out online vote directly.

**(IV) Ensure fair and just pricing of this transaction.**

The Listed Company intends to employ an audit institution and appraisal institution that meets the requirements of relevant laws and regulations to audit and appraise the underlying assets, so as to ensure that the pricing of object of this transaction is fair and just, the pricing process is legal and compliant, and the interests of shareholders of the Listed Company are not prejudiced.

**(V) Arrangements for the diluted return of spot earnings per share in this transaction**

**1. Diluted return of spot earnings per share in this transaction**

According to the proforma review report of the Listed Company in 2021 and January 2022 issued by Da Hua Certified Public Accountants (DHHZ [2022] No. 0010011), the changes in the earnings per share of the Listed Company before and after this transaction are shown in the following table:

Item	January 2022			2021		
	Pre-transaction	Post Transaction (Pro Forma)	Change Range	Pre-transaction	Post Transaction (Pro Forma)	Change Range
Basic earnings per share (yuan/share)	0.0535	0.0519	-2.99%	1.1553	1.2981	12.36%

After the completion of the Transaction, the profitability of the Listed Company will be further improved as a whole, and so will its total capital stock scale. In 2021, the Listed Company's basic earnings per share increased from 1.1553 yuan/share before the Transaction to 1.2981 yuan/share, up by 12.36%, and there was no case that the spot earnings per share were diluted due to any merger or reorganization. The basic earnings per share decreased slightly in the latest period, which was mainly affected by the seasonal factors of the incoming water in the dry season.

If the performance fluctuates or the profitability of the underlying assets is lower than expected due to the operating status of the underlying assets, policies of the state, and other factors, there will be a risk of a corresponding decline in the Company's future earnings per share. The Listed Company formulated the following measures to mitigate the dilution effect on the spot return according to its own operating characteristics:

(1) Consolidate and expand the existing business of the Company and improve the sustainable profitability of the Company.

After the completion of the Transaction, the Company will have six giant cascade stations in the main stream of the Yangtze River and increase its total installed capacity from 455.95 GW to 71.795 GW, up 57.46%. The joint dispatching capacity of the Company in the Yangtze River Basin will be further enhanced, which will strengthen, expand and highlight its main hydropower business, and consolidate its position as a giant hydropower company in the world.

(2) Strengthen the integration of operating management and internal control and improve operating efficiency.

The Company will continuously strengthen internal control, further boost grass-roots construction, basic management, and basic skills improvement, enhance value creation and risk management and control ability, improve and perfect the enterprise operating system for stable operation and steady development, comprehensively and effectively control the operating and management risks of the Company, and improve its operating efficiency and profitability.

In addition, the Company will continuously strengthen cost management and control, improve and strengthen investment decision-making procedures, rationally use various financing tools and channels, control the cost of funds, improve the efficiency of fund use, reduce operating costs, and comprehensively and effectively control the management and control risks of the Company's funds and operating on the premise of guaranteeing the satisfaction of the Company's business development with the demand for working capital.

(3) Implement positive profit distribution policies and pay attention to returns to investors and rights and interests protection.

The Company provided the decision-making mechanism and procedures for profit distribution policies in the Articles of Association in order to improve the Company's profit distribution policies, promote the establishment of more science-based and reasonable profit distribution and decision-making mechanism, and more effectively protect the interests of shareholders and investors of the Company, in accordance with the Notice on Further Implementing Matters Related to Cash Dividends of Listed Companies (ZJF [2012] No. 37) issued by the China Securities Regulatory Commission and the Supervision Guidelines for Listed Companies No. 3 - Cash Dividends of Listed Companies (2022 Revision) (ZJHGG [2022] No. 3) and in combination with the actual circumstances of the Company.

The Company will continue to strictly implement the aforesaid profit distribution policies, maintain their continuity and stability, attach importance to reasonable returns to investors, and take into account the overall interests of all shareholders and the sustainable development of the Company.

## **2. Commitment of directors and senior executives of the Company on the diluted spot return**

If the spot return of the Listed Company is diluted in this transaction, the directors and senior executives of the Listed Company will take corresponding measures to mitigate the dilution effect on return. The directors and senior executives of the Listed Company hereby make the following commitments:

(1) I undertake not to transfer benefits to other units or individuals free of charge or under unfair conditions, and will not damage the interests of the Company in any other way.

(2) I promise to restrain my position-related consumption behaviors;

(3) I undertake not to use the Company's assets to engage in investment and consumption activities unrelated to the performance of duties.

(4) I promise that the compensation system formulated by the board of directors or the compensation committee is linked to the implementation of the measures of the Listed Company to prevent the dilution effect on spot return.

(5) If the Listed Company implements equity interest incentives in the future, I promise that the exercise conditions of equity interest incentives are linked to the implementation of the measures of the Listed Company to prevent the dilution effect on spot return.

(6) I promise to earnestly implement the measures formulated by the Listed Company of the Listed Company to prevent the dilution effect on spot return and this commitment, and agree to assume legal liabilities in accordance with laws in case of any violations of such commitments or losses caused to the Listed Company or investors.

(7) As one of the liable parties for measures to mitigate the dilution effect on return, if I violate or refuse to perform the aforesaid commitments, I agree to be punished or imposed with the relevant administrative measures in accordance with the relevant provisions and rules formulated or issued by the China Securities Regulatory Commission, stock exchanges and other securities regulatory authorities".

### **3. Commitment of the controlling shareholder of the Company on the diluted spot return**

As the controlling shareholder of the Listed Company, CTG hereby makes the following commitments if the spot return of the Listed Company is diluted in this transaction:

"(1) Do not interfere with the Listed Company's business management activities beyond its authority and not to encroach on the Listed Company's interests.

(2) If the Company violates the aforesaid commitments and causes losses to the Listed Company or its investors, the Company is willing to assume the compensation liability for the Listed Company or its investors in accordance with the law".

**(VI) Other measures to protect the rights and interests of investors**

The Listed Company guarantees the authenticity, accuracy, and integrity of relevant information and documents (including but not limited to the original written materials, duplicate materials or oral testimony) provided to the relevant intermediary institution for this transaction as well as the descriptions and confirmations issued for this transaction, without any false records, misleading statements, or major omissions and that the copies or photocopies of the relevant documents and materials are consistent with the original or original copies, and all the signatures and seals on the documents and materials are authentic and valid.

In the course of this transaction, the Listed Company will disclose the information on this transaction and submit the relevant application documents in a timely manner in accordance with the provisions of the relevant laws and regulations, the CSRC and the Shanghai Stock Exchange, guarantee the authenticity, accuracy, and integrity of the information disclosure and application documents, and promise to bear the joint and several legal liabilities for the losses (if any) caused to investors due to the false records,

misleading statements, or major omissions in the information disclosure and application documents.

**(VII) Strictly implement the approval procedures for related party transactions**

This transaction constitutes a related party transaction. It will be implemented in strict accordance with laws and regulations as well as the Company's internal approval procedure for related party transactions. The proposal on this transaction will be voted by the non-related shareholders of the Company at its general meeting, on which a combination of on-the-spot voting with online voting will be adopted. The Company will provide the shareholders of the Company with an online voting platform, through which the shareholders will exercise their voting rights within the time of online voting.

In addition, the Company has employed independent financial advisors, lawyers, audit, appraisal and other intermediary institutions to issue professional opinions on this transaction, so as to ensure that the pricing of this related party transaction is fair, just, and reasonable, without prejudicing the interests of other shareholders.

**X. Basic Opinions of the Controlling Shareholder of the Listed Company and the Persons Acting in Concert on this Transaction, and the Share Lessening Plan of the Controlling Shareholder and the Persons Acting in Concert, Directors, Supervisors and Senior Executives From the Date of Reorganization Announcement to the Date of Completion**

**(I) Basic opinions of the controlling shareholder of the Listed Company and the persons acting in concert on this transaction**

According to the opinions issued by CTG—the controlling shareholder of the

Listed Company and its persons acting in concert, the controlling shareholder of the Listed Company and its persons acting in concert have approved this reorganization in principle.

**(II) Share lessening plan of the controlling shareholder and the persons acting in concert, directors, supervisors and senior executives of the Listed Company from the date of resumption of trading for this reorganization to the date of completion**

According to the commitment issued by CTG—the controlling shareholder of the Listed Company and its persons acting in concert, there is no active shareholding lessening plan for CTG and its persons acting in concert from the date of resumption of trading for this transaction to the date of completion, and there will be no active share lessening of the Listed Company held except for the passive lessening due to the exchange of exchangeable corporate bonds approved by the regulatory authority and the increasing of guaranteed shares due to the exchange of cash dividends for exchangeable corporate bonds.

According to the commitments issued by all the directors, supervisors and senior executives of the Listed Company, there will be no shareholding lessening plan for the directors, supervisors and senior executives of the Listed Company from the date of resumption of trading for this transaction to the date of completion, and there will be no shareholding lessening acts of the Listed Company.

**XI. Qualification of Recommendation Institutions of Independent Financial Advisor**

The Listed Company employs CITIC Securities and Huatai United Securities,

which are legally established with the approval of the CSRC and have the qualification for financial advisory business and recommendation business, as the independent financial advisor for this transaction.

## Chapter II Major Risk Warning

Investors will particularly earnest to consider the following risk factors when evaluating this reorganization of the Company.

### I. Risks Related to this Transaction

#### **(I) Risk of putting a halt, suspension or cancellation of this transaction**

Although the Company has formulated confidentiality measures in accordance with relevant provisions and strictly referenced them for implementation, there is still a possibility that this transaction may be put a halt, suspended, or canceled due to abnormal fluctuation of the Company's stock price or abnormal trading that may be suspected of insider trading.

In addition, in the process of this transaction, all parties to this transaction may also modify and improve this Transaction Scheme according to the market environment, macroeconomic changes and the audit requirements of regulatory authorities. If all parties to this transaction fail to reach a consensus on modifying and improving this Transaction Scheme, there is a risk that this transaction may be terminated.

If this transaction needs to be re-conducted, there is a risk of re-pricing the stock offering price and object of transaction. Thus, investors are advised to pay attention to such a risk.

#### **(II) Risk that this transaction cannot be approved**

A series of approvals have yet to be obtained for this transaction, including but not limited to the approval of this transaction by the competent state-owned assets supervision and administration institution and the CSRC. It remains uncertain whether

the aforesaid approval or permit can be obtained for this transaction and the time for obtaining them. Thus, investors are advised to pay attention to the risk of approval.

### **(III) Risk of failed raising subscription funds**

The Listed Company intends to raise subscription funds from no more than 35 qualified specific investors by private placement of shares, as a part of the Transaction Scheme. Where there are the latest provisions or regulatory opinions on the investors to which the stocks are issued and quantity of private placement as prescribed in the national laws, regulations or other normative documents, the Listed Company will make corresponding adjustments according to the latest provisions or regulatory opinions.

It remains uncertain whether the aforesaid matters on raising subscription funds can be approved by the CSRC. In addition, if the stock price fluctuates or the market environment changes, there may be a risk of insufficient amount of subscription funds raised or even failure of raising.

### **(IV) Financial risk of cash payment in this reorganization**

It is required to pay 64,387,062,300 yuan in cash to the counterparties to the reorganization by net of the share payment part in this material asset reorganization. The Company intends to pay some cash consideration for this reorganization with the subscription funds of 16,096,765,600 yuan raised, and the remaining part will be settled with its own funds or through debt financing such as loans, with the risk of increasing the Company's financial expenses to a certain extent.

### **(V) Risk to financial stability**

According to the review report on the proforma financial statements of CYPC (DHHZ [2022] No. 0010011) issued by Dahua CPA, after the completion of this transaction, the asset-liability ratio of the Listed Company at the end of the last period of the proforma statements of Listed Company will be increased from 41.12% to 67.75%, the asset-liability structure of Listed Company will change to a large extent, and the Company will face great pressure on repayment of principal and interest and cash outflow. If the subsequent relevant financing channels cannot be effectively utilized, the Listed Company will face a risk to financial stability.

## II. Risks Related to Underlying Assets

### **(I) Appraisal risk of underlying assets**

With January 31, 2022, as the appraisal base date, the appraisal value of the underlying assets of this transaction is 80,483,827,900 yuan, the book value is 56,818,693,700 yuan, and the increased amount is 23,665,134,300 yuan, representing an increased rate of 41.65%. The transaction price of the underlying assets is determined through negotiation by all parties to this transaction according to the appraisal results of the appraisal report issued by the asset appraisal institution conforming to the provisions of the *Securities Law* and filed by the state-owned assets supervision and administration department.

The unpredictable changes in the relevant assumptions, restrictive conditions, and other factors included in this appraisal may have a certain impact on the accuracy of the appraisal results in view of the limitation of the analysis, judgment, and conclusion in the asset appraisal by the relevant assumptions and restrictive conditions, even if the appraisal institution is diligent in the appraisal process and implements the relevant

provisions of the appraisal. The investors are advised to pay attention to the risks in the appraisal value of the underlying assets of this transaction.

## **(II) Incoming water risk in Jinsha River Basin**

Wudongde and Baihetan Hydropower Stations, the main assets of the target company, are located in the lower reaches of the Jinsha River basin, one of the 13 major hydropower bases in China. The generation capacity and operating results of the hydropower stations are significantly affected by the runoff in the basin where the stations are located, and the uncertainty and the seasonal fluctuation and difference of the runoff will have an important impact on the target company's generation capacity and operating results.

Specifically, The generation capacity of the hydropower stations of the target company will be directly affected by the runoff in the Jinsha River basin, while the runoff is affected by the main factors such as rainfall, snowmelt, water diversion projects in the upper-middle reaches of the Jinsha River and the Yalong River basin, and the regulated storage capacity of reservoirs in the upper-middle reaches of the Jinsha River and the Yalong River basin, subject to certain uncertainties. The current generation may be adversely affected in the following circumstances: 1. The runoff is reduced due to the reduced rainfall runoff in the upper reaches; 2. The runoff is reduced due to the reduced snowmelt runoff in the upper reaches; 3. The runoff is reduced due to the operation of the water diversion projects in the upper-middle reaches of the Jinsha River and the Yalong River basin; 4. The runoff is reduced due to the initial impoundment of the reservoirs in the upper-middle reaches of the Jinsha River and the Yalong River basin."

### **(III) Risk of adjustment of feed-in tariff**

In accordance with the *Several Opinions on Advancing the Pricing Mechanism Reform* of the CPC Central Committee and the State Council issued on October 12, 2015, the marketization of energy prices will be accelerated, and the reform of energy prices such as electricity will be promoted in accordance with the overall thinking of "controlling the middle and easing the two ends," the restrictions on feed-in tariff and sales electricity prices other than public welfare will be orderly relaxed, and a mechanism in which energy price is mainly determined by the market will be formed. In accordance with the provisions of the *Notice of the National Development and Reform Commission and the National Energy Administration on Issuing the Supporting Documents for the Power System Reform* (FGJT [2015] No. 2752) and its supporting document — the *Implementation Opinions on Orderly Relaxing Restrictions on the Plan for Power Generation and Use* on November 26, 2015, the state will actively promote direct transactions. For the electricity quantity directly traded by power generation enterprises with users and power sales enterprises, the feed-in tariff and sales electricity price will be preliminarily formed by the market, and the government pricing of some feed-in electricity quantity will be gradually canceled. However, the Notice also clarifies that, while the restrictions on direct transactions are relaxed, the prices of other feed-in electricity quantity of power generation enterprises except for the quantity corresponding to priority generation and priority purchase will be mainly determined by users, power sales entities and power generation enterprises through independent consultation, market bidding, and other means. In March 2017, the National Development and Reform Commission and the National Energy Administration issued the Notice on Orderly Unloosing Power Generation and Consumption Plans (FGYX

[2017] No.294), clarifying that the existing large-scale hydropower, wind power, solar power and other clean energy power generation in the national plan will be emphatically guaranteed through the priority generation plan. When the quantity of electricity in the priority power generation plan is not lower than the actual level of the previous year or the average level for many years, the price shall be implemented in accordance with the relevant spirit of the *Notice of the National Development and Reform Commission on Improving Pricing Mechanism of Electric Power Transaction in Cross- province and Cross-region* (FGJG [2015] No. 962); and the part other than the quantity of electricity in the priority power generation plan shall participate in the market-oriented bidding in the region using electricity.

As of the signing date of the summary of this report, there is a situation which Wudongde Hydropower Station participates in market-oriented bidding for electricity beyond the priority power generation plan. The formal power supply price of Baihetan Hydropower Station in 2022 and in the future is under negotiation and will be clarified by signing power purchase and sales contracts and other means, so there are certain uncertainties in terms of the feed-in tariff. In the future, the deepening of power system reform may lead to changes in the feed-in tariff of Yunchuan Company and cause a certain impact on its operating status.

#### **(IV) Risk of change of tax preference policies**

In accordance with the relevant provisions of the *Notice of the State Taxation Administration on Implementing the Preferential Corporate Income Tax on Public Infrastructure Projects under the Key Support of the State* (GSF [2009] No. 80), Yunchuan Company shall enjoy the policy of “Three-year waiving and three-year one-half reduction” for paying the corporate income tax. In accordance with the relevant

provisions of the *Announcement on Continuing the Corporate Income Tax Policies for the West China Development* (Announcement No. 23 [2020] of the Ministry of Finance, the State Taxation Administration, and the National Development and Reform Commission), Yunchuan Company enjoys the policy of "paying the income tax at the reduced rate of 15%". Yunchuan Company will strictly implement the tax policies of the State.

During the reporting period, the income tax rate of Yunchuan Company is 0%. If the income tax rate of Yunchuan Company restores to 25% because it cannot continue to enjoy the above tax preferences as a result of the expiration of policies or policy changes in the future, the profitability of Yunchuan Company may be affected.

#### **(V) Risk of unfinished or uncompleted final accounts**

As of May 31, 2022, Wudongde Hydropower Station of Yunchuan Company has been fully put into operation. Baihetan Hydropower Station is still under construction, with 8 units being put into operation, some tail works of the project have not been completed, and the project has not been subject to the final accounts. The difference (if any) between the final account amount of the completed project in the future and the current project cost will lead to an adjustment of the current recorded asset value, which may have a certain impact on the business performance of Yunchuan Company.

### **III. Other Risks**

#### **(I) Risk of stock price fluctuation**

The return of the stock market is positively related to the risk. On the one hand, the stock price is affected by the Company's profitability and tends to the present value of the Company's future value in the long term; on the other hand, the stock price is

affected by the economic situation, macro-policies, supply and demand fluctuations, expectations of investors and other factors. Therefore, the stock price of the Company may be affected by macroeconomic fluctuations, changes in national policies, changes in stock supply and demand relationship, and other factors and deviate from its value. In addition, since the approval of the relevant departments is required for this transaction of the Company, and there are uncertainties regarding the approval time, during which the stock market price may fluctuate. Certain risks may be brought to investors thereby.

## **(II) Other risks**

In the process of production and operation of a hydropower station, there may be the influence of earthquakes, typhoons, floods, landslides, wars, national policy adjustments, and other force majeure factors that cannot be foreseen and whose occurrence and consequences cannot be prevented or avoided, and thus the operation and profitability conditions of hydropower assets also face certain uncertainties.

## Chapter III Overview of This Transaction

### I. Background and Purpose of This Transaction

#### **(I) Background of this transaction**

##### **1. Hydropower is one of the best power sources to achieve the long-range targets of "peak carbon emissions" and "carbon neutrality".**

On September 22, 2020, General Secretary Xi Jinping proposed in a speech at the UN General Assembly session that China will take effective measures and policies to strive to achieve the goal of "peak carbon emissions" by 2030 and "carbon neutrality" by 2060. In order to solve the problem of sustainable energy supply in China and cope with climate change, and promote the continuous evolution of energy structure from carbon-intensive to low carbon, it is imperative to gradually replace conventional carbon-intensive fossil fuels with clean energy. As low-cost clean energy, hydropower will definitely play an important role in the transition to green and low-carbon development, and is one of the best power sources to achieve the long-range targets of "peak carbon emissions" and "carbon neutrality". Wudongde and Baihetan Hydropower Stations are major national projects for the implementation of "for "West-to-East Electricity Transmission". It is an important measure to coordinate the follow-up work of the hydropower stations to realize "Peak Carbon Emissions" and "Carbon Neutrality" and promote the comprehensive green transition of economic and social development.

##### **2. There is a short-term supply shortage of domestic power since 2021, and hydropower is expected to become a "stabilizer" for power safety**

Since 2021, the domestic economy has maintained a stable recovery, and exports have shown an unexpected growth, driving the continuous growth of electricity

consumption in the whole society. On the power supply side, since China is in the transition period of clean energy, the power supply has been unstable, and different degrees of power supply shortages have emerged in many regions of China. Under the above background, large-sized hydropower stations can effectively complement wind power and solar power generation due to their considerable stability, economy, and cleanliness, and are expected to become the "stabilizers" for power safety in China's future new energy structure. Building a water-wind-solar complementary clean energy base on the basis of the nationally planned hydropower base and by virtue of the energy storage, regulation and storage capacity of reservoirs and power transmission channels will be an important measure for China to implement its commitment to tackling climate change, accelerate the transformation of energy structure and speed up the construction of a new power system.

### **3. Further deepen the reform of state-funded and state-owned enterprises and fulfill capital market commitments**

In 2016, CTG, the Company's controlling shareholder, made a commitment to avoid horizontal competition according to relevant regulatory requirements when it injected Xiluodu and Xiangjiaba Hydropower Stations into CYPC. At present, Wudongde and Baihetan Hydropower Stations have been put into operation successively, and the operation indexes of the hydropower station units are good, the work safety is stable and orderly, which has met the conditions for asset injection at this stage. The transaction demonstrates CTG's active performance of capital market commitment. Meanwhile, promoting the overall asset securitization of Wudongde and Baihetan Hydropower Stations is also conducive to further deepening the reform of state-owned enterprises. This measure can promote the further enhancement of asset

quality, liquidity and anti-risk ability and effectively realize the value preservation and appreciation of state-owned assets while enlarging state-owned capital.

## **(2) Purpose of this transaction**

### **1. Driven by innovation to continuously improve the core operation capabilities of hydropower stations**

The Company may seize the opportunity of asset injection of Wudongde and Baihetan Hydropower Stations, promote the construction of smart hydropower stations and smart cascade dispatching, study and establish digital basin and digital hydropower. The Company may continue development and innovation, deeply grasp the safe and stable operation rules of cascade giant hydropower stations in the watershed under various conditions, continuously optimize the lean operation strategy, and improve the core capabilities and intelligent management and control levels of hydropower stations, such as the diagnostic operation and watershed maintenance capabilities, and strengthen risk control and emergency response capacity building to ensure that the cascaded hydropower station is safe, controllable, and under-control and maintain its efficient, high-quality, long-term safe and stable operation.

### **2. Realize leap-forward development and consolidate the leading position of large-sized hydropower stations**

After the transaction, the installed capacity of the domestic holding projects of the Company will reach 71,695,000 kW, with significant synergetic benefits, which can effectively achieve leapfrog development. Through high-standard and high-quality operation of 6 giant cascaded hydropower stations, the Company can give full play to its resources, management advantages, and core capabilities, help further improve its

performance, and consolidate its position as a world hydropower industry giant.

### **3. Strengthen the joint dispatching of cascaded hydropower stations in the basin and promote the full play of comprehensive benefits**

The Jinsha River is one of the largest hydropower bases in China, with a total length of about 3,500 kilometers, ranking top in the world in terms of the hydropower enrichment degree. Wudongde and Baihetan Hydropower Stations are located in the lower reaches of the Jinsha River, with large storage capacity and significant cascade benefits. After the transaction is completed, the Company, as the large hydropower business platform of CTG, will control the six giant hydropower stations on the mainstream of the Yangtze River, including the Three Gorges, Gezhouba, Xiluodu, Xiangjiaba, Wudongde, and Baihetan Hydropower Stations, so as to realize the centralized management and operation of large hydropower assets and the "joint dispatching of six reservoirs", and improve the management efficiency through large-scale and specialized operation, in this case, the Company may give play to the comprehensive benefits of cascaded hydropower stations in flood control, power generation, drought prevention, water supply, navigation, and other aspects to improve the comprehensive utilization level of water resources.

## **II. Decision-making Process and Approval of the Transaction**

### **(1) The decision-making and approval procedures performed for the transaction**

1. The transaction plan has been deliberated and approved at the 30th Meeting of the Fifth Board of Directors of the Listed Company;

2. The Transaction Scheme has been deliberated and approved at the 8th Meeting

of the Sixth Board of Directors of Listed Company;

3. The Transaction was reviewed and approved by the internal decision-making bodies of CTG, Three Gorges Investment, YEIG, and SCEI;

4. The asset appraisal results of this transaction have been filed by the competent state-owned assets supervision and administration institution.

**(2) The decision-making and approval procedures to be performed for the transaction**

1. The transaction needs to be approved by the competent state-owned assets supervision and administration institution;

2. The general meeting of stockholders of the listed company will examine and approve the transaction scheme;

3. The transaction will be approved by the China Securities Regulatory Commission;

4. Other necessary approvals, verification, filings, or permits required by relevant laws and regulations.

**III. Specific Plans for Assets Purchasing by Issuing Shares and Paying Cash**

**(I) Type, par value and place of listing of shares to be issued**

The shares to be issued in this transaction are RMB A common shares with a par value of 1.00 yuan per share, and are listed on the Shanghai Stock Exchange.

**(II) Base date for pricing, pricing principle, and offering price**

The base date for pricing the assets purchased by issuing shares is the announcement date of the first resolution of the Board of Directors of the Listed Company on the matters related to this transaction, that is, the announcement date of the resolution of the 30th Meeting of the Fifth Board of Directors.

The issue price of shares issued by a listed company shall not be less than 90% of the market reference price as per Measures for the Administration of Reorganization. The market reference price is one of the average transaction prices of the Company's shares for 20, 60 or 120 transaction days before the base date for pricing. The average transaction prices are calculated by the following formula: average transaction prices of the Company's shares for certain transaction days before the base date for pricing = total transaction amount of the Company's shares for certain transaction days before the announcement date of the resolution/total transaction volume of the Company's shares for certain transaction days before the announcement date of the resolution.

After calculation, the average transaction prices of shares of the Listed Company for 20, 60 or 120 transaction days before the base date for pricing the assets purchased by issuing shares are as follows:

Unit: Yuan/share

<b>Market reference price</b>	<b>Average transaction price</b>	<b>90% of the average transaction price</b>
20 transaction days before the base date for pricing	20.30	18.27
60 transaction days before the base date for pricing	20.74	18.67
120 transaction days before the	20.30	18.27

Market reference price	Average transaction price	90% of the average transaction price
20 transaction days before the base date for pricing	20.30	18.27
base date for pricing		

After negotiation among the parties to this transaction, the offering price of the shared issued by the Listed Company for assets purchasing is determined as 18.27 yuan/share, which is not lower than 90% of one of the average transaction prices of the Listed Company's shares for 20, 60 or 120 transaction days before the base date for pricing.

During the period from the base date for pricing to the issue date of shares, if the Listed Company implements ex-right and ex-dividend matters such as dividend distribution, bonus issue, allotment of shares, and capitalization of surplus, the offering price will be adjusted accordingly. The specific adjustment methods of the offering price are as follows:

Assuming that the price of new shares before adjustment is  $P_0$ , the number of bonus shares issued or shares after capitalization for every share is  $N$ , the number of new shares issued or shares allotted for every share is  $K$ , the price of new shares issued or shares allotted is  $A$ , the dividend per share is  $D$ , and the price of new shares after adjustment is  $P_1$  (the adjusted value is rounded to two decimal places), then:

If the dividend distribution is implemented, then:  $P_1 = P_0 - D$

If the bonus issue or capitalization is implemented, then:  $P_1 = \frac{P_0}{(1 + N)}$

If the issuance of new shares or allotment of shares is implemented, then:

$$P_1 = \frac{P_0 + A \times K}{(1 + K)}$$

$$P_1 = \frac{P_0 - D + A \times K}{(1 + K + N)}$$

If the above three items are implemented simultaneously, then:

According to the 2021 Annual Profit Distribution Plan of the Company reviewed and adopted by the Listed Company at the 2021 Annual General Meeting held on 25 May 2022, the cash dividend of 8.153 yuan (tax inclusive) will be distributed for every 10 shares based on the total number of 22,741,859,230 shares at the end of 2021, with a total cash dividend of 18,541,437,830.22 yuan.

Since the 2021 Annual Profit Distribution Plan has been reviewed and adopted at the general meeting of the Listed Company, the Listed Company will implement ex-right and ex-dividend matters for the offering price of shares issued in the purchase of assets by issuing shares and paying cash. The calculation formula is as follows:

If the dividend distribution is implemented, then:  $P_1 = P_0 - D$

As the 2021 Annual Profit Distribution Plan of the Listed Company only involves the distribution of cash dividends, the offering price of shares issued in the purchase of assets by issuing shares after adjustment is  $18.27 - 0.8153 = 17.4547$  yuan/share based on the above formula. As the minimum change unit of the A-share transaction price is 0.01 yuan, the offering price after rounding up to two decimal places is 17.46 yuan/share.

### **(3) Investors to which the stocks are issued**

The investors to which the stocks are issued for assets purchasing include CTG, YEIG, and SCEI.

### **(4) Transaction amount and payment method of consideration**

According to the Asset Appraisal Report (CEAPBZ [2022] No.6206) issued by CEA and filed by the competent state-owned assets supervision and administration institution, this appraisal was implemented to evaluate the asset value of 100% equity of Yunchuan Company with the asset-based method and the income method, and the appraisal result reached by the asset-based method was finally taken as the appraisal conclusion. As of the appraisal base date, the appraisal of 100% equity of Yunchuan Company is as follows:

Unit: 10,000 yuan

Underlying assets	Book value	Assessed value	Appreciation /impairment	Increase or decrease rate	Evaluation Method
	A	B	C=B-A	D=C/A	-
100% equity of Yunchuan Company	5,681,869.36	8,048,382.79	2,366,513.43	41.65%	Asset-based approach
		7,987,743.09	2,305,873.73	40.58%	Income method

The appraisal result reached by the asset-based method is taken as the conclusion of the Asset Appraisal Report, that is, the appraisal value of 100% equity of Yunchuan Company is 80,483,827,900 yuan. According to the appraisal results, the final transaction amount is determined to be 80,483,827,900 yuan.

The Listed Company pays the consideration of the underlying assets by a combination of issuing shares and paying cash. The details are as follows:

Unit: 10,000 yuan

<b>Counterparty</b>	<b>Corresponding equity proportion in Yunchuan Company</b>	<b>Transaction consideration</b>	<b>Payment by issuing shares</b>	<b>Payment by paying cash</b>
CTG	40.00%	3,219,353.12	804,838.28	2,414,514.84
Three Gorges Investment	30.00%	2,414,514.84	-	2,414,514.84
YEIG	15.00%	1,207,257.42	402,419.14	804,838.28
SCEI	15.00%	1,207,257.42	402,419.14	804,838.28
<b>Total</b>	<b>100.00%</b>	<b>8,048,382.79</b>	<b>1,609,676.56</b>	<b>6,438,706.23</b>

#### **(5) Number of issued shares**

The Listed Company will issue 460,961,213 shares, 230,480,606 shares, and 230,480,606 shares to CTG, YEIG, and SCEI respectively to pay part of the consideration for the reorganization. The final number of shares issued will be subject to the approval of the general meeting and the final approval of CSRC.

<b>Counterparty</b>	<b>Payment by issuing shares (10,000 yuan)</b>	<b>Number of shares issued (share)</b>
CTG	804,838.28	460,961,213
YEIG	402,419.14	230,480,606
SCEI	402,419.14	230,480,606
<b>Total</b>	<b>1,609,676.56</b>	<b>921,922,425</b>

Note 1: The number of shares issued this time = Payment by issuing shares ÷ the adjusted offering

price of 17.46 yuan/share;

Note 2: The number of new shares acquired by the counterparties as calculated according to the above formula is rounded down to the nearest integer, and the part of less than one share is included in the capital surplus.

During the period from the base date for pricing to the issue date, if the Listed Company implements ex-right and ex-dividend matters such as dividend distribution, bonus issue, allotment of shares, and capitalization of surplus, the number of shares issued will be adjusted accordingly based on the adjustment of the offering price.

#### **(6) Lockup period of shares**

The consideration shares acquired by CTG through this transaction shall not be transferred within 36 months from the date of the end of issuance of shares, except those assigned as permitted by applicable laws and regulations. If the closing price of the Listed Company's shares for 20 consecutive transaction days is lower than the offering price within 6 months after the completion of this transaction, or if the closing price is lower than the offering price at the end of 6 months after the completion of this transaction, the lockup period of the consideration shares acquired by CTG through this transaction will be automatically extended by 6 months on the basis of the original lockup period.

The consideration shares acquired by YEIG and SCEI through this transaction shall not be transferred within 12 months from the date of the end of issuance of shares, except those assigned as permitted by applicable laws and regulations.

During the share lockup period after the completion of this transaction, the consideration shares obtained by the counterparties and the shares increased due to the

Listed Company's bonus issue, converting equity capital, and other reasons will also be subject to the aforesaid share lockup arrangements. If the CSRC or Shanghai Stock Exchange had different opinions on the above-mentioned lockup period arrangement, this Company would adjust the above arrangement according to the CSRC's or Shanghai Stock Exchange's opinions thereupon and have it executed.

#### **(7) Profits or losses arrangements during the transition period**

The profits or losses arising from the operation of the underlying assets during the transition period from the appraisal base date (exclusive) to the closing date (inclusive) shall be enjoyed or undertaken by CTG, Three Gorges Investment, YEIG and SCEI based on their equity proportions in Yunchuan Company.

#### **(VIII) Arrangements for accumulated undistributed profits**

The undistributed profits accumulated by the Company before this issuance will be shared by the new and old shareholders of the Listed Company based on their shareholding proportions after this issuance, but the profits distributable to the shareholders realized by the Company during the transition period will not be shared for the new shares acquired by CTG, YEIG, and SCEI through this asset purchase.

#### **(IX) Validity period of the resolution**

The resolution on the Company's Transaction shall be valid within 12 months from the date of review and adoption at the general meeting. However, if the Company has obtained the approval document of the CSRC for this transaction within the transition period, the validity period of the resolution shall be automatically extended to the completion date of this transaction.

#### IV. Specific Plans for Raising Subscription Funds

The Listed Company intends to raise subscription funds from no more than 35 specific investors by private placement of shares. The total amount of raised funds does not exceed 16,096,765,600 yuan and does not exceed 100% of the transaction consideration paid by issuing shares in this transaction. The number of issued shares does not exceed 30% of the Listed Company's total capital stock before the issuance.

The raised subscription funds are used to pay the cash consideration for the transaction after intermediary fees and other related issuance fees are deducted. This asset purchase is not based on the successful raising of subscription funds, and whether the issuance of the raised subscription funds is successful or not does not affect the implementation of this asset purchase.

If the raising of subscription funds fails to be implemented or the financing amount is lower than the expected amount, the Company will solve the problem by self-raised funds. Before the raised subscription funds are available, the Listed Company may use the self-raised funds for the above subscription fund purposes according to the market situation and its own actual situation and replace them after the raised funds are available.

If the scheme for raising subscription funds in this transaction is inconsistent with the latest regulatory opinions of the securities regulatory authorities, the Company will make corresponding adjustments based on the regulatory opinions of the relevant securities regulatory authorities.

##### **(I) Type, par value and place of listing of shares to be issued**

The shares to be issued for raising subscription funds by private placement of

shares in this transaction are RMB A common shares with a par value of 1.00 yuan per share, and are listed on the Shanghai Stock Exchange.

## **(II) Base date for pricing, pricing principle, and offering price**

The base date for pricing of subscription funds to be raised by private placement of shares in this transaction is the first day of the private placement of shares. The offering price of shares to be issued for raising subscription funds by private placement of shares in this transaction shall not be lower than 80% of the average price of the Company's shares for 20 transaction days before the base date for pricing. The final offering price will be determined by the Board of Directors of the Listed Company through consultation with the parties based on the authorization of the general meeting and the subscription quotations of issue objects and according to the provisions of relevant laws, administrative regulations and normative documents after this transaction is approved by the China Securities Regulatory Commission.

## **(3) Investors to which the stocks are issued**

The Listed Company intends to raise subscription funds from no more than 35 specific investors by private placement of shares.

## **(IV) Issue size and number of shares issued**

The total amount of raised subscription funds does not exceed 16,096,765,600 yuan and does not exceed 100% of the transaction consideration paid by issuing shares in this transaction. The number of issued shares does not exceed 30% of the Listed Company's total capital stock before the issuance. The final number of shares to be issued for raising subscription funds will be determined according to the relevant provisions of the *Measures for the Administration of Securities Issuance by Listed*

*Companies* and based on the inquiry results after the approval by the China Securities Regulatory Commission.

**(V) Lock-up period arrangement**

The Listed Company intends to raise subscription funds from no more than 35 specific investors by private placement of shares, and the shares subscribed by the above specific investors shall not be transferred in any way within 6 months from the end of issuance. After the completion of raising subscription funds by private placement of shares, the newly increased shares obtained by the subscribers from this transaction due to the Listed Company's bonus issue and converting equity capital will also be subject to the aforesaid share lockup arrangements. If the provisions of the lockup arrangement for the subscribed shares in the counterpart funds raised this time are inconsistent with the latest regulatory opinions of securities regulatory authorities, the Company and the subscribers will make corresponding adjustments and implement them according to the regulatory opinions of relevant securities regulatory authorities.

**(VI) Arrangements for accumulated undistributed profits**

The undistributed profits accumulated by the Company before this issuance of shares for raising subscription funds will be shared by the new and old shareholders of the Company based on their shareholding proportions after this issuance, but the profits distributable to the shareholders realized by the Company during the transition period will not be shared for the new shares acquired by CTG, YEIG, and SCEI through this asset purchase.

**V. Nature of the Transaction**

**(1) This transaction constitutes a related-party transaction.**

Among the counterparties of this transaction, CTG is the controlling shareholder of the Listed Company, Three Gorges Investment is a wholly-owned subsidiary of CTG, the controlling shareholder of the Listed Company, and Zong Renhuai, the director of the company, is a senior executive of SCEI. According to the Rules of Listing in Stock Exchange and other relevant regulations, CTG, Three Gorges Investment and SCEI are related parties of Listed Company, and this transaction constitutes a related party transaction.

When the board of directors of the Listed Company deliberates the proposals related to this transaction, the related directors have avoided voting; when the general meeting is held to deliberate the proposals related to this transaction, the related shareholders will avoid voting.

**(2) This transaction constitutes major asset reorganization.**

The financial data and evaluation and pricing of the underlying assets are compared with the relevant financial data of the Listed Company in 2021 as follows:

Unit: 10,000 yuan

Item	Underlying assets		Public company	Proportion
	Financial data	Transaction amount		
Total assets	23,275,938.97	8,048,382.79	32,856,328.16	70.84%
Net assets	5,380,774.81		18,106,381.95	44.45%
Operating revenue	1,273,411.60	/	5,564,625.40	22.88%

Note: According to the Measures for the Administration of Reorganization and other relevant

regulations, the calculation indicators of total assets and net assets of the underlying assets are the higher of the audited total assets of the underlying assets, net assets attributable to the parent company as at December 31, 2021 and the transaction amount of the underlying assets acquired this time.

This transaction meets the major asset reorganization standards stipulated in Article 12 of the Measures for the Administration of Reorganization, and constitutes a major asset reorganization of listed companies.

### **(III) This transaction does not constitute the reorganization listing**

The actual controller of the Listed Company was not changed within 36 months prior to the Transaction. The controlling shareholder of the Listed Company in the last 36 months before and after the Transaction is CTG, and the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council. The Transaction will not result in a change in the actual controller of the Listed Company.

According to the relevant provisions of the Measures for the Administration of Reorganization, this transaction does not constitute the reorganization or listing as prescribed in Article 13 of the Measures for the Administration of Reorganization.

## **VI. Impact of the Transaction on Listed Companies**

### **(1) Impact of the Transaction on the Main Business of the Listed Company**

Before the transaction, the Listed Company is primarily engaged in operations of large hydropower stations, and manages and operates six giant hydropower stations, i.e., Three Gorges, Gezhouba, Xiluodu, Xiangjiaba, Wudongde, and Baihetan

Hydropower Stations. (including Wudongde Hydropower Station and Baihetan Hydropower Station currently entrusted for management). As at January 31, 2022, the total installed capacity controlled by the Company was 45.595 GW (excluding Wudongde Hydropower Station and Baihetan Hydropower Station currently under entrusted management), ranking top among the global hydropower industry companies. The Yunchuan Company to be acquired in this transaction is the investment and operation subject of Wudongde Hydropower Station and Baihetan Hydropower Station. Wudongde Hydropower Station has an approved installed capacity of 10.2 GW and has been fully put into operation. Baihetan Hydropower Station has an approved installed capacity of 16 GW, and some units have been put into operation at present.

After the completion of the Transaction, the Listed Company will have six giant cascade stations in the main stream of the Yangtze River and increase its total installed capacity to 71.795 GW, up 57.46%. Before and after this transaction, the installed capacity of hydropower held by the Company is shown in the following table:

<b>Type/Name of Hydropower Station</b>	<b>Installed capacity before transaction (10 MW)</b>	<b>Installed capacity after transaction (10 MW)</b>
<b>China:</b>	<b>4,549.5</b>	<b>7,169.5</b>
Three Gorges	2,250.0	2,250.0
Gezhouba	273.5	273.5
Xiluodu	1,386.0	1,386.0
Xiangjiaba	640.0	640.0
Wudongde	-	1,020.0
Baihetan	-	1,600.0

<b>Type/Name of Hydropower Station</b>	<b>Installed capacity before transaction (10 MW)</b>	<b>Installed capacity after transaction (10 MW)</b>
<b>Overseas:</b>	<b>10.0</b>	<b>10.0</b>
<b>Total</b>	<b>4,559.5</b>	<b>7,179.5</b>

Note: "Holding installed capacity" refers to the total installed capacity of the wholly-owned or holding hydropower stations of the Company.

The core business of the Listed Company is still power generation, operation and investment, and the main business has not changed significantly. The joint dispatching capacity of the Listed Company in the Yangtze River Basin will be further enhanced, which will strengthen, expand and highlight its main hydropower business, and consolidate its position as a giant hydropower company in the world.

## **(2) Impact of the transaction on the main financial indicators of listed company**

According to the audited financial statements of 2021, the financial statements as at January 2022, and the reviewed proforma consolidated financial statements of 2021 and as at January 2022 of the Listed Company, the financial data of the Listed Company before and after this transaction (without considering supporting financing) are as follows:

Unit: 10,000 yuan

Item	January 31, 2022/January 2022			For the year ended on 31 December 2021		
	Pre-transaction	Post Transaction (Pro Forma)	Change	Pre-transaction	Post Transaction (Pro Forma)	Change
Total assets	32,575,234.72	57,119,872.09	75.35%	32,856,328.16	56,086,893.26	70.70%
Total liabilities	13,395,757.23	38,697,224.98	188.88%	13,827,505.88	38,115,968.34	175.65%
Equity attributable to the owners of the parent company	18,252,483.51	17,495,653.13	-4.15%	18,106,381.95	17,048,484.58	-5.84%
Operating revenue	333,783.95	432,103.33	29.46%	5,564,625.40	6,752,423.88	21.35%
Total profit	149,756.52	150,814.32	0.71%	3,240,934.42	3,685,329.31	13.71%
Net profit attributable to the owners of the parent company	121,675.61	122,742.60	0.88%	2,627,299.85	3,071,683.39	16.91%
Asset-liability ratio	41.12%	67.75%	26.63%	42.08%	67.96%	25.88%
Basic earnings per share	0.0535	0.0519	-2.99%	1.1553	1.2981	12.36%

Item	January 31, 2022/January 2022			For the year ended on 31 December 2021		
	Pre-transaction	Post Transaction (Pro Forma)	Change	Pre-transaction	Post Transaction (Pro Forma)	Change
Weighted average ROE	0.67%	0.71%	0.04%	14.92%	19.29%	4.37%

Note: The change rate of asset-liability ratio and return on net assets is absolute change rate.

Therefore, after the transaction, the total assets, income and profit scale of the Listed Company will be improved, and the sustainable profitability and anti-risk capability will be enhanced, which is in line with the interests of all shareholders of the Listed Company.

### (3) Impact of the Transaction on the Equity Structure of the Listed Company

Before the completion of the supporting financing after the purchase of assets by issuing shares, the shareholders' equity structure of the Listed Company is shown in the following table:

Name of shareholder	Before purchasing assets by offering shares		After purchasing assets by offering shares (Excluding supporting financing)	
	Number of shares held	Shareholding (%)	Number of shares held	Shareholding (%)
CTG	12,486,540,844	54.91%	12,947,502,057	54.71%
CTGCE	880,000,000	3.87%	880,000,000	3.72%

Name of shareholder	Before purchasing assets by offering shares		After purchasing assets by offering shares (Excluding supporting financing)	
	Number of shares held	Sharehold ing (%)	Number of shares held	Sharehold ing (%)
Three Gorges Finance	35,216,171	0.15%	35,216,171	0.15%
Three Gorges Capital	28,315,354	0.12%	28,315,354	0.12%
Three Gorges Asset	13,283,221	0.06%	13,283,221	0.06%
<b>Subtotal of CTG and its persons acting in concert</b>	<b>13,443,355,590</b>	<b>59.11%</b>	<b>13,904,316,803</b>	<b>58.76%</b>
SCEI	844,862,100	3.72%	1,075,342,706	4.54%
YEIG	726,053,158	3.19%	956,533,764	4.04%
Other investors	7,727,588,382	33.98%	7,727,588,382	32.66%
<b>Total</b>	<b>22,741,859,230</b>	<b>100.00%</b>	<b>23,663,781,655</b>	<b>100.00%</b>

Before the transaction, CTG was the controlling shareholder and SASAC was the actual controller of the Listed Company. After the transaction, CTG remains the controlling shareholder and SASAC remains the actual controller of the Listed Company. The upper limit of the total subscription funds to be raised this time is relatively small compared with the transaction amount of asset purchase, which is expected to have no significant impact on the equity structure. The transaction will not cause changes in the controlling shareholders and actual controllers of the Listed

Company, nor will it cause the distribution of the company's shareholding not meeting the listing conditions of the Shanghai Stock Exchange.

## Chapter IV Documents for Reference

### I. Documents for Reference

- (1) Resolutions of the Board of Directors of the Company on the transaction;
- (2) Opinions of the Company's independent directors on prior approval for the transaction and opinions of the independent directors;
- (3) Relevant agreements signed between the Company and the counterparties;
- (4) Independent financial consultant report on this transaction issued by the independent financial advisor;
- (5) Legal opinions on the transaction issued by Zhong Lun Law Firm;
- (6) Auditor's report and proforma review report on the underlying assets of the transaction issued by Dahua CPA;
- (7) Asset Appraisal Report on this transaction issued by China Enterprise Appraisals Co., Ltd. and Huayuan Longtai.

### II. Place for Reference

Investors may view the above documents from 9:00 a.m. to 11:00 a.m. and 3:00 p.m. to 5:00 p.m. every Monday to Friday after the publication of the summary of this report and before the transaction is completed at the following locations:

Name of listed company: China Yangtze Power Co., Ltd.

Address: F/22, Building B of Focus Place, No. 19, Financial Street, Xicheng District, Beijing

Tel.: 010-58688900

Fax: 010-58688898

Contact: Xue Ning

In addition, investors may view the Report of China Yangtze Power Co., Ltd. on Purchasing Assets by Issuing Shares and Paying Cash and Raising Subscription Funds as well as on Related Party Transaction or its summary on the information disclosure website designated by the China Securities Regulatory Commission at [www.cninfo.com.cn](http://www.cninfo.com.cn) and the website of Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn).

China Yangtze Power Co., Ltd.

30<sup>th</sup> June, 2022