To the Independent Board Committee
and the Independent Shareholders

September 18, 2025

Dear Sirs,

(1) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE EQUITY INTERESTS IN FOUR COMPANIES INCLUDING HUIZHOU NUCLEAR FROM CGN
(2) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the disclosable and connected transactions contemplated under the Share Transfer Agreement, as well as the revision of annual caps for the receipt of technical support and maintenance services for each of the years during the period from 2025 to 2027. Details of which, amongst other things, are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated September 18, 2025 (the "**Circular**"), of which this letter forms part. Terms defined in this Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On August 27, 2025, the Company exercised the acquisition rights in respect of the Share Interests, and the Company (as the purchaser) entered into the Share Transfer Agreement with CGN (as the vendor). Pursuant to the Share Transfer Agreement, the Company has agreed to acquire and CGN has agreed to dispose of the Share Interests, at the total cash consideration of approximately RMB9.38 billion. As one of the conditions as set out in the 2024 annual report of the Company, the Independent Non-executive Directors have reviewed, considered and approved the exercise of the acquisition right. Following completion of the Acquisition, the Target Companies will become subsidiaries of the Company, and their financial results will be consolidated into the financial statements of the Group.

Upon the approval of the Board, the Company entered into the 2025-2027 Technical Support and Maintenance Services Framework Agreement with CGN on October 23, 2024. In view of the fact that all the terms and conditions (including but not limited to the scope of services and pricing principles of both parties) under the 2025-2027 Technical Support and Maintenance Services Framework Agreement of the Company remain unchanged, the Company anticipated that the original annual caps for receipt of technical support and maintenance services will not be sufficient to meet the business needs for each of the years ending 31 December 2025, 2026 and 2027.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a disclosable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CGN, which holds 58.89% of the issued share capital of the Company, is the Controlling Shareholder of the Company. Under Rule 14A.07 of the Listing Rules, CGN is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for its continuing connected transactions, the Company has to re-comply with provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the revised annual caps for the receipt of technical support and maintenance services by the Group exceed 5% but are less than 25% on an annual basis, the revision of such annual caps is subject to the reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the Independent Non-executive Directors, was established to consider the terms of the Share Transfer Agreement and the Revised Annual Caps for the Receipt of Technical Support and Maintenance Service and to advise the Independent Shareholders on whether the Share Transfer Agreement and the Revised Annual Caps for the Receipt of Technical Support and Maintenance Service are in the interests of the Company and the Shareholders as a whole, and whether the terms of the Share Transfer Agreement and the Revised Annual Caps for the Receipt of Technical Support and Maintenance Service are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and to advise the Independent Shareholders on how to vote on the relevant resolution to be proposed at the EGM. We, Anglo Chinese Corporate Finance, Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the Acquisition contemplated thereunder. Save for this appointment, there was no other engagement between the Company and us in the past two years. Apart from normal advisory fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed, among others, (i) the Share Transfer Agreement; (ii) the 2025-2027 Technical Support and Maintenance Services Framework Agreement and the Revised Annual Caps for the Receipt of Technical Support and Maintenance Service; (iii) the annual report of the Company for the year ended December 31, 2024; (iii) the interim results announcement of the Company for the six months ended June 30, 2025; (iv) the financial information of the Target Companies; and (v) the Valuation Reports of the Target Companies prepared by the Valuer as at the Valuation Benchmark Date, a summary of which is set out in Appendix II to Appendix V of the Circular. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Hong Kong Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in this Circular and all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board contained in this Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in this Circular.

The Company confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in this Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in this circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs or the prospects of the Company, CGN or any of their respective subsidiaries or associates.

BACKGROUND INFORMATION OF THE ACQUISITION

Information of CGN

Established on September 29, 1994, CGN is a large clean energy enterprise under supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGN is principally engaged in the generation and sale of power, and the construction, operation and management of nuclear and non-nuclear clean projects. As at the Latest Practicable Date, CGN held approximately 58.89% of the issued share capital of the Company and is the Controlling Shareholder of the Company.

Information of the Company

The Company mainly constructs, operates and manages nuclear power stations, sells electricity generated by these stations, and organizes and develops the design and R&D of nuclear power stations.

Set out below are the summarised audited annual financial information of the Group for the two financial years ended December 31, 2023 and 2024 (the "**FY2023**" and "**FY2024**", respectively) and the unaudited interim financial information for the six months period ended June 30, 2024 and 2025 (the "**1H2024**" and "**1H2025**", respectively), as extracted from the Company's annual report 2024 and interim results announcement 2025:

Consolidated Income	**For the year ended December 31,**		**For the six months ended June 30,**	
Statement	**2023**	**2024**	**2024**	**2025**
(RMB million)	*(Audited)*	*(Audited)*	*(Unaudited and restated)*	*(Unaudited)*
Operating revenue	**82,549**	**86,804**	**39,376**	**39,167**
Operating profit	**20,594**	**21,974**	**12,993**	**11,115**
Net profit from continuing operation	**17,046**	**17,444**	**10,851**	**8,830**

FY2024 vs FY2023

Operating revenue of the Group amounted to approximately RMB86,804 million for FY2024, representing an increase of approximately 5.2% compared to approximately RMB82,549 million for FY2023. Growth in sales of electricity which comprised approximately 76.0% of operating revenue; and construction, installation and design services comprised approximately 21.4% of operating revenue served as the main contributor to the increased revenue. The Company has indicated that the drivers for the growth in sales of electricity came from the approximately 6.8% year-on-year increase in total electricity consumption in the PRC and approximately 6.13% year-on-year increase in on-grid power generation. Provision of construction, installation and design services were mainly transacted with related parties. Revenue of which was measured in terms of progress towards completion.

Operating profit of the Group amounted to approximately RMB21,974 million for FY2024, representing an increase of approximately 6.7% compared to approximately RMB20,594 million for FY2023, driven mainly by reduced finance cost, increased investment income and other gains including VAT refunds and non-recurring other government grants.

Net profit from continuing operation of the Group amounted to approximately RMB17,444 million for FY2024, representing an increase of approximately 2.3% compared to approximately RMB17,046 million for FY2023.

1H2025 vs 1H2024

Operating revenue of the Group amounted to approximately RMB39,167 million for 1H2025, representing a decrease of approximately 0.5% compared to approximately RMB39,376 million for 1H2024. The decrease in revenue was primarily due to (i) the approximately 4.8% year-on-year decrease in construction, installation and design services; and (ii) the approximately 40.1% year-on-year decrease in the rental income of the offshore wind power installation platform of the Group, partly offset by the approximately 0.9% year-on-year increase in sales of electricity.

Operating profit of the Group amounted to approximately RMB11,115 million for 1H2025, representing a decrease of approximately 14.5% compared to approximately RMB12,993 million for 1H2024, mainly attributable to approximately 11.7% year-on-year increase in cost of sales of electricity.

Net profit from continuing operation of the Group amounted to approximately RMB8,830 million for 1H2025, representing a decrease of approximately 18.6% compared to approximately RMB10,851 million for 1H2024.

Set out below are the summarised audited financial position of the Group as at December 31, 2023 and 2024, respectively, and the unaudited financial position of the Group as at June 30, 2025 as extracted from the Company's 2024 annual report 2024 and 2025 interim results announcement:

	As at December 31,		As at June 30,
Consolidated Balance Sheet	**2023**	**2024**	**2025**
(RMB million)	*(Audited)*	*(Audited and restated)*	*(Unaudited)*
Total assets	**415,250**	**426,662**	**436,768**
– Non-current assets	342,463	351,154	356,233
– Current assets	72,787	75,507	80,534
Total liabilities	**249,946**	**253,147**	**263,052**
– Non-current liabilities	172,559	169,673	174,047
– Current liabilities	77,388	83,475	89,006
Total equity attributable to Shareholders of the parent company	**113,235**	**120,639**	**120,697**

December 31, 2024 vs December 31, 2023

The Group's total assets increased by approximately 2.77% from approximately RMB415,250 million as at December 31, 2023 to approximately RMB426,662 million as at December 31, 2024. Such increase in total assets was mainly attributable to (i) an increase of approximately 6.4% in receivables from approximately RMB33,922 million as at December 31, 2023 to approximately RMB36,094 million as at December 31, 2024; and (ii) an increase of approximately 6.3% in fixed assets and intangible assets from approximately RMB252,129 million as at December 31, 2023 to approximately RMB267,912 million as at December 31, 2024, partly offset by an approximately 1.3% decrease in inventories from approximately RMB20,573 million as at December 31, 2023 to approximately RMB20,303 million as at December 31, 2024.

The Group's total liabilities increased by approximately 1.3% from approximately RMB249,946 million as at December 31, 2023 to approximately RMB253,147 million as at December 31, 2024. The increase in total liabilities was mainly attributable to an increase of approximately 7.0% in payables from approximately RMB37,823 million as at December 31, 2023 to approximately RMB40,465 million as at December 31, 2024, partly offset by a decrease of approximately 0.5% in bank and other borrowings from approximately RMB199,313 million as at December 31, 2023 to approximately RMB198,311 million as at December 31, 2024.

The Group's total equity attributable to Shareholders of the parent company increased by approximately 6.5% from approximately RMB113,235 million as at December 31, 2023 to approximately RMB120,639 million as at December 31, 2024. The increase in total equity attributable to Shareholders of the Company was mainly attributable to an approximately 13.1% increase in retained earnings partly offset by an approximately 53% decrease in specific reserve.

June 30, 2025 vs December 31, 2024

The Group's total assets increased by approximately 2.4% from approximately RMB426,662 million as at December 31, 2024 to approximately RMB436,768 million as at June 30, 2025. Such increase in total assets was mainly attributable to (i) an increase of approximately 3.6% in receivables from approximately RMB36,094 million as at December 31, 2024 to approximately RMB37,380 million as at June 30, 2025; and (ii) an increase of approximately 4.0% in inventories from approximately RMB20,303 million as at December 31, 2024 to approximately RMB21,119 million as at June 30, 2025, partly offset by a decrease of approximately 1.8% in fixed assets and intangible assets.

The Group's total liabilities increased by approximately 3.9% from approximately RMB253,147 million as at December 31, 2024 to approximately RMB263,052 million as at June 30, 2025. The increase in total liabilities was mainly attributable to an increase of approximately 5.2% in bank and other borrowings from approximately RMB198,311 million as at December 31, 2024, to approximately RMB208,621 million as at June 30, 2025, partly offset by a decrease of approximately 0.4% in payables.

The Group's total equity attributable to Shareholders of the Company increased by approximately 0.05% from approximately RMB120,639 million as at December 31, 2024, to approximately RMB120,697 million as at June 30, 2025.

Information on Huizhou Nuclear Power

Huizhou Nuclear Power is a company established in the PRC and principally engaged in the investment, development, construction, and operation of nuclear power plants. Immediately prior to the completion of the Acquisition, it was owned as to 82% by CGN and 18% by China Datang Nuclear Power Investment Co., Ltd. (中國大唐集團核電投資有限公司 or the "**China Datang**"), a company established in the PRC and a third party.

Huizhou Nuclear Power owns Huizhou Project Phase I and is responsible for the construction and operation of such project. As at the Latest Practicable Date, both Units 1 and 2 of Huizhou Project Phase I have not yet put into commercial operation, and are expected to put into commercial operation in the second half of 2025 and the first half of 2026, respectively. It is expected that the total investment for Huizhou Project Phase I will be approximately RMB44.235 billion. As at the Valuation Benchmark Date, being February 28, 2025, the investment made to Huizhou Project Phase I amounted to approximately RMB40.317 billion, and approximately RMB3.918 billion to be invested subsequent to the Valuation Benchmark Date.

The financial information of Huizhou Nuclear Power is as follows:

	For the year ended 31 December 2022 (audited) *RMB'000*	**For the year ended 31 December 2023 (audited)** *RMB'000*	**For the year ended 31 December 2024 (audited)** *RMB'000*	**For the two months ended 28 February 2025 (audited)** *RMB'000*
Total assets	22,731,666	33,964,718	40,929,667	42,162,630
Total liability	18,061,661	26,916,592	32,632,340	33,865,303
Revenue	0	0	0	0
Net profit before tax	0	0	0	0
Net profit after tax	0	0	0	0

Information on Huizhou No. 2 Nuclear Power

Huizhou No. 2 Nuclear Power is a company established in the PRC and principally engaged in the investment, development, construction, and operation of nuclear power plants. Immediately prior to the completion of the Acquisition, it was owned as to 100% by CGN.

Huizhou No. 2 Nuclear Power owns Huizhou Project Phase II and is responsible for the construction and operation of such project. It is expected that Huizhou Unit 3 will commence commercial operation in 2030, and Unit 4 is currently in the FCD preparation stage. It is expected that the total investment for Huizhou Project Phase II will be approximately RMB41.529 billion. As at the Valuation Benchmark Date, being February 28, 2025, the investment made to Huizhou Project Phase II amounted to approximately RMB6.6 billion, and approximately RMB34.929 billion to be invested subsequent to the Valuation Benchmark Date.

The financial information of Huizhou No. 2 Nuclear Power is as follows:

	For the year ended 31 December 2023 (audited) *RMB'000*	For the year ended 31 December 2024 (audited) *RMB'000*	For the two months ended 28 February 2025 (audited) *RMB'000*
Total assets	1,996,416	6,199,902	6,742,461
Total liability	1,706,416	4,973,132	5,515,691
Revenue	0	0	0
Net profit before tax	0	0	0
Net profit after tax	0	0	0

Information on Huizhou No. 3 Nuclear Power

Huizhou No. 3 Nuclear Power, a company established in the PRC, is principally engaged in the investment, development, construction, and operation of nuclear power plants, and responsible for the construction and operation of Huizhou Project Phase III. As at the Latest Practicable Date, CGN has not made any capital investment in it, and Huizhou Project Phase III is currently still in the preliminary preparation stage before the approval, therefore, Huizhou No. 3 Nuclear Power did not generate any assets, liabilities, revenues or profits since its inception on February 16, 2025 up to the period ended February 28, 2025. The nuclear power project to be invested and developed by Huizhou No. 3 Nuclear Power has not yet been approved. Hence, the capital expenses for the nuclear power project cannot be reasonably estimated as at the Latest Practicable Date.

Information on Zhanjiang Nuclear Power

Zhanjiang Nuclear Power, a company established in the PRC, is principally engaged in the investment, development, construction, and operation of nuclear power plants, and responsible for the construction and operation of Zhanjiang Nuclear Power Project. As at the Latest Practicable Date, CGN has not made any capital investment in it, and Zhanjiang Nuclear Power Project is currently still in the preliminary development stage, therefore, it did not generate any assets, liabilities, revenues or profits for 2023, 2024 and the two months ended February 28, 2025. The nuclear power project to be invested and developed by Zhanjiang Nuclear Power has not yet been approved. Hence, the capital expenses for the nuclear power project cannot be reasonably estimated as at the Latest Practicable Date.

Industry Overview

Supported by strong and clear national policies outlined in the 14th Five-Year Plan (「十四五」規劃) and reinforced through the Energy Law of the People's Republic of China (中華人民共和國能源法) in November 2024, China's nuclear power industry has maintained steady growth in both installed capacity and electricity generation over the past few years. According to the National Energy Administration (the "**NEA**"), China's operational nuclear power installed capacity and those under construction has exceeded 120 million kilowatts. In 2024, China's nuclear power generation reached 450.9 billion kilowatt-hours, marking a 3.7% year-on-year increase and accounting for 4.5% of the country's total electricity production. It resulted in an equivalent reduction of approximately 140 million tonnes of standard coal consumption and about 370 million tonnes of carbon dioxide emissions, according to the data published by NEA. As a result, China's nuclear power capacity and output have consistently increased, reflecting both policy effectiveness and operational stability.

According to "The Status, Tendency and Prospects of Nuclear Energy Development in Chinese Mainland" (中國核能發展報告(2025)) issued by the China Nuclear Energy Association (the "**CNEA**"), as of the end of 2024, mainland China had 57 operational nuclear reactors totalling approximately 60 gigawatts (GW) of installed capacity, ranking third globally. With 28 more units under construction and numerous approved projects, China leads the world in the scale of nuclear power development. Technologically, China has made significant strides toward self-reliance, commercialising its domestically developed third- generation reactors such as "Hualong One" and "Guhe One", achieving full localisation of critical equipment. The industry is also progressing on fourth-generation technologies, thereby strengthening the entire nuclear value chain. Looking ahead, China's nuclear power sector is positioned for rapid and sustained growth. The government targets about 70 GW of operational capacity by 2025. According to CNEA, by 2040, nuclear power is expected to account for approximately 10% of the country's total electricity generation, with installed capacity potentially surpassing 200 GW.

Based on the aforesaid, we understand that China's nuclear power industry is well on track for a fast growth over the coming decades, playing a critical role in the country's energy transition and carbon emission reduction efforts. According to the Company, by June 30, 2025, the installed capacity of nuclear power stations in operation and under construction under the Company's management was around 56,018MW, accounting for 44.46% of the national nuclear power capacity of China. We are advised by the Company that it has strengthened its technological innovation in nuclear energy, implemented dedicated strategic R&D initiatives, actively advanced the development of fourth-generation nuclear power technologies and SMRs, and continuously monitored the latest developments in advanced technologies both domestically and internationally. Having considered the above analysis, we concur with Directors' view that the expansion through the Acquisition could help the Company maintain its leading position in the domestic market and seize the fast growth trend in China's nuclear power industry.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion to the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Agreement and the Acquisition, we have taken into account the following principal factors and reasons:

SHARE TRANSFER AGREEMENT

Reasons for and benefits of enter into the Share Transfer Agreement

As set out in the Letter from the Board, the Company considers that the Acquisition will bring in the following benefits:

Mitigate potential competition between the Group and CGN

As disclosed in the Company's 2024 annual report, the Company is positioned to be the sole platform of CGN for nuclear power generation. Pursuant to the deed of non-competition entered into by CGN in favour of the Company on November 21, 2014, CGN has given certain non-competition undertakings to the Company (for the benefit of itself and other members of the Group), that it will not, and will procure its associates and connected persons (other than any members of the Group), at present or in the future, not to, directly or indirectly, among others, operate, involve in, have an interest in, engage in, acquire or hold any business or activities in the PRC or overseas that compete or likely compete with the business operated by the Group during the agreed restricted periods. To avoid competition between CGN and the Group, CGN has also granted the Company a right, which is exercisable during the term of the deed of non-competition, to acquire any equity interests, assets or other interests in the retained business carried out by CGN in one or more scenarios.

Pursuant to the right to acquire the retained business under the deed of non-competition, the Company has the right to choose to acquire, in any time, all or part of the interests in the nuclear power retained business being planned or developed by CGN. This undertaking shall remain in force until CGN ceases to be the Controlling Shareholder of the Company or until the Company ceases to be listed on the Stock Exchange. As disclosed in the Company's 2024 annual report, the Target Companies belong to the retained business. Therefore, the Acquisition will help reduce the potential competition between the Group and CGN.

Capacity expansion to drive growth and market leadership

The Acquisition significantly enhances the Company's scale of operating, constructing, and reserved installed nuclear capacity, accelerating its strategic objective of becoming the sole platform for CGN's nuclear power generation. By expanding its portfolio of both operational units and projects under construction, the Company strengthens its ability to achieve growth in nuclear power generation and overall business performance. This expansion is also a crucial pathway to increasing the Company's market share and consolidating its long-term competitiveness within the nuclear power industry. Notably, the Acquisition integrates reactors under construction such as the four Hualong One units. As advised by the Company, the Hualong One is a third-generation, one-million-kilowatt-class nuclear power technology with independent intellectual property rights, developed based on more than 30 years of accumulated experience, technology, and talent in the design, construction, operation, and R&D of nuclear power plants in China. The Group has continued to promote design optimisation and technological improvements for the Hualong One, focusing on enhancing its cost-effectiveness, advancement, and localisation. These efforts have laid a solid foundation for improving the competitiveness of the Company's Hualong One technology. Meanwhile, Huizhou No. 3 Nuclear Power and Zhanjiang Nuclear Power constitute important strategic site reserves, underpinning sustainable long-term capacity growth aligned with China's dual- carbon objectives and broader energy policy commitments favouring nuclear power.

The newly acquired assets will enrich the Company's nuclear power project capacity, with an addition of approximately 7,222MW in aggregate (not including Zhanjiang Nuclear Power Project which is currently in the preliminary development stage) to the 56,018MW installed capacity of the Company's portfolio as disclosed in the Company's interim report. With performance contributions expected from the Huizhou Nuclear Power project commencing commercial operation in 2025 and 2026, the Acquisition facilitates near term earnings growth while underpinning sustainable pipeline for long-term growth in competitiveness. This aligns directly with the Company's goal to consolidate its leading industry status and supports China's national objectives for low-carbon development and energy security, consistent with the Company's commitment to Shareholders regarding steady corporate development and value creation.

Having carefully considered that the Share Transfer Agreement and the Acquisition represents (i) mitigation of industry competition between CGN and the Group; and (ii) a significant enhancement to the Company's portfolio through immediate capacity enhancement and the strengthening of its long-term development pipeline, we are of the view that the Share Transfer Agreement and the Acquisition are fair, reasonable, and in the best interests of the Company and its Shareholders as a whole.

Principal terms of the Acquisition

Date: August 27, 2025

Parties:

(1) the Company as purchaser

(2) CGN as vendor

Subject matter: the Company has agreed to acquire and CGN has agreed to dispose of the Share Interests, representing (i) 82% of the entire equity interests in Huizhou Nuclear Power; (ii) 100% of the equity interests in Huizhou No. 2 Nuclear Power; (iii) 100% of the equity interests in Huizhou No. 3 Nuclear Power; and (iv) 100% of the equity interests in Zhanjiang Nuclear Power.

Consideration and payment terms: The total consideration for the sale and purchase of the Share Interests is approximately RMB9.38 billion, comprising (i) approximately RMB8.02 billion for 82% of the entire equity interests in Huizhou Nuclear Power; (ii) approximately RMB1.35 billion for 100% of the equity interests in Huizhou No. 2 Nuclear Power; (iii) RMB0 for 100% of the equity interests in Huizhou No. 3 Nuclear Power; and (iv) RMB0 for 100% of the equity interests in Zhanjiang Nuclear Power. The total consideration shall be payable by the Company to CGN in cash within five business days from the date on which all conditions precedents are fulfilled. The Company intends to satisfy the consideration by the internal resources of the Group.

Further details of the principal terms of the Share Transfer Agreement are set out in the Letter from the Board.

Analysis on the principal terms of the Share Transfer Agreement

Basis of the consideration of the Acquisition

The consideration for the Acquisition of approximately RMB9.38 billion comprising of (i) approximately RMB8.02 billion for 82% of Huizhou Nuclear Power, being 82% of Huizhou Nuclear Power which is valued at RMB9.78 billion; (ii) approximately RMB1.35 billion for 100% of Huizhou No. 2 Nuclear Power; (iii) RMB0 for 100% of Huizhou No. 3 Nuclear Power; and (iv) RMB0 for 100% of Zhanjiang Nuclear Power, was determined based on arms' length negotiations and between the Company and CGN with reference to the valuation of the Share Interest as at the Valuation Benchmark Date as appraised by the Valuer (the "**Appraised Value**").

With a view to evaluate the basis of the Appraised Value of the Share Interests, we have reviewed and discussed the contents of the valuation reports of the Target Companies (the "**Valuation Reports**") and have discussed with the Valuer regarding the valuation of the Target Companies with details set out below, including the Valuer's scope of work and expertise, the methodologies, the valuation assumptions, and the Valuation Benchmark Date, adopted in the Valuation Report. Further details of the Valuation Report are set out in Appendix II to Appendix V of the Circular.

Scope of work and qualifications of the Valuer

The Valuer was engaged to prepare the Valuation Reports which set out as the independent valuation on 100% interest in the Target Companies as at the Valuation Benchmark date (the "**Independent Valuation**"). The Valuation Reports have been prepared in compliance with the relevant professional standards issued by the Ministry of Finance of the PRC and China Appraisal Society.

We have discussed with the Valuer regarding the expertise of the Valuer and the relevant engagement team members. We understand that the Valuer is a qualified PRC asset valuation agency accredited by China Appraisal Society to perform the Independent Valuation and has experience in handling valuation exercises for equity within the PRC and around the world. The 2 responsible signing persons of the Valuation Report have over 8 years' experience in conducting valuation exercises, respectively. We have also enquired with the Valuer and the Valuer confirmed that it is independent from the Company, the Target Companies and CGN and China Datang to perform the Independent Valuation under the relevant professional standards.

We have reviewed the terms of the Valuer's engagement letter as well as the purpose and scopes set out in the Valuation Report. We noted that the scope of work is appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer.

Valuation methodology

Based on our discussion with the Valuer and review of the Valuation Report, it is noted that the Valuer has concluded the Independent Valuation based on the asset-based approach. We understand that the Valuer has considered the three commonly used valuation approaches for valuation of a company, namely the income approach, the market approach and the asset-based approach:

(1) Income approach: Under the income-approach, the value of a company is appraised based on discounted future cash flows. For the valuation of Huizhou Nuclear Power, although the Valuer considered that the conditions for the adoption of the income approach were technically present, after further considering the data quality and the potential changes in macroeconomic factors and government policies, the Valuer is of the view that the asset approach could more fairly reflect the value of Huizhou Nuclear Power for the purposes of this valuation. For the valuation of Huizhou No. 2 Nuclear Power, Huizhou No. 3 Nuclear Power and Zhanjiang Nuclear Power, as this approach requires the ability to reasonably forecast future cash flows and quantify associated risks, neither of which could be established given the projects undertaking by the Target Companies are current in the early construction stage or pre-approval preparation stage or pre-development stage. Therefore, the income approach is not adopted by the Valuer for concluding the value in the Independent Valuation.

(2) Market approach: Under the market approach, the value of a company is appraised based on comparison with comparable companies and/or transactions. For the valuation of Huizhou Nuclear Power and Huizhou No. 2 Nuclear Power, given the limited number of companies available for comparison, coupled with the fact that no reliable market data can be obtained for transactions available for comparison as Huizhou Project Phase I and Huizhou Project Phase II were still under construction as of the Valuation Benchmark Date, constrain the applicability of this approach. For the valuation of Huizhou No. 3 Nuclear Power and Zhanjiang Nuclear Power, the market approach is not applicable as they have not commenced business operations. Hence, the market approach was not adopted by the Valuer in the Independent Valuation.

(3) Asset-based approach: Under the asset-based approach, the value of a company is appraised based on the value of individual assets and liabilities. The Valuer considered that using the asset-based approach would be most suitable for the valuation of the Share Interests, given that the Valuer was able to verify and assess the value of the assets and liabilities of the Target Companies primarily with reference to the financial statements of the Target Companies.

We have evaluated the reasons behind the selection of the asset-based approach as the valuation methodology for the Independent Valuation, including (i) the market approach is not adopted mainly because of the limited number of comparable companies available in the market; (ii) the income approach is not adopted mainly because the Valuer has identified significant uncertainties in the parameters related to the construction, production and economic indicators of such nuclear power project. In particular, the electricity tariff level is heavily influenced by the macroeconomic environment and relevant industry policies in the PRC, and remains subject to potential substantial fluctuations in the foreseeable future, which may lead to considerable uncertainty in the future profitability of such company. As a result, the Valuer is of the view that the aforementioned factors may still have certain impacts on the accuracy of the valuation results obtained by the income approach, while the market value of assets is appraised and estimated from the perspective of asset replacement under asset-based approach, which may give an objective reflection of the market value of the enterprise at the current stage. Based on the above, we concur with the Valuer that the adoption of the asset-based approach is fair and reasonable.

Valuation assumptions

As part of our work performed, we have reviewed the Valuation Report and discussed with the Valuer in respect of the assumptions adopted for performing the Independent Valuation, details of which are set out in Appendix II to Appendix V of the Circular. We understand from the Valuer that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Independent Valuation. We also consider that the assumptions adopted in the Valuation Report are general in nature and we are not aware of any material facts which lead us to doubt the reasonableness of the assumptions adopted by the Valuer.

The Valuation Benchmark Date

According to the Valuation Reports the Valuation Benchmark Date is February 28, 2025. We noted that there is a seven-month period commencing on the Valuation Benchmark Date and ending on the Latest Practicable Date. After discussing the matter with representatives of the Company and reviewing the Share Transfer Agreement, we understand that, during this period, any profits or losses incurred by the Target Companies will be recognised and borne by their original shareholders (i.e., CGN and China Datang) in proportion to their respective equity holdings. Following completion of the Acquisition, the Company will engage an accounting firm to audit the Target Companies to confirm the profits and losses for this period. Given this arrangement, we concur with the Valuer's conclusion that no material adjustments need to be made in the Appraised Value between the Valuation Benchmark Date and the Latest Practicable Date.

Details of valuation

We have reviewed the Valuation Report and discussed with the Valuer regarding its work done to arrive at the valuation of different items. We understand from the Valuer that when performing the Independent Valuation based on asset-based approach, the Valuer categorised the assets and liabilities of the Target Companies into different categories, mainly comprised of fixed assets, construction in progress, intangible assets and other non-current assets, while majority of the liabilities are non-current liabilities.

We noticed and understood from the Valuation Reports that the respective valuation of Huizhou Nuclear Power, Huizhou No. 2 Nuclear Power, Huizhou No. 3 Nuclear Power and Zhanjiang Nuclear Power were carried on adjusted net assets method ("**Adjusted NAV**"), of which all the subjects' individual asset and liability account categories are analysed and valued separately. The value of the individual assets (both tangible and intangible) less the value of the liabilities (both recorded and contingent) represents the subject business value. The Adjusted NAV is a common method for estimating the value of business which is still under development.

According to the summaries of the Valuation Reports as set out in Appendix II to Appendix V to the Circular, the Appraised Value amounted at approximately RMB9,375 million compared to approximately RMB8,031 million, being the sum of the book values of the Target Companies, representing an appreciation of approximately RMB1,345 million. The appreciation was incurred from Huizhou Nuclear Power and Huizhou No. 2 Nuclear Power, mainly due to appreciation in non-current asset. Huizhou No. 3 Nuclear Power and Zhanjiang Nuclear Power were both valued at RMB0, mainly because as at the Valuation Benchmark Date, no paid-in capital has been made by CGN, and both Huizhou No. 3 Nuclear Power and Zhanjiang Nuclear Power have not commenced any business operations and have no assets or liabilities.

Details of the key assets and liabilities of the Target Companies based on the asset-based approach valuation are set out below:

i. Buildings

For buildings which were self-constructed for the purpose of own use (such as employee dormitory, office building, and canteen), they were appraised based on replacement cost method (重置成本法). Under the replacement cost method, the Valuer considered the status of the assets and the cost to be incurred to replicate such assets.

For buildings which were acquired from the market, they were appraised based on market comparison method. In arriving at the valuation, the Valuer has identified comparable properties and made adjustments based on transaction status, transaction time, regional factors and other individual factors.

ii. Machineries and equipment

For machineries and equipment, based on the valuation purpose and type of value, and in accordance with the principle of continued use, the Independent Valuation primarily adopts the replacement cost method, using market prices as the basis, combined with the characteristics and conditions of the underlining equipment.

iii. Construction in progress

The construction in progress comprises various expenditures incurred in construction before the asset is ready for use, including but not limited to initiation costs, construction costs, management fees, and other related expenditures. The Valuer conducted interviews with personnel from the finance, investment, and engineering departments of the Target Companies and reviewed relevant accounting records, supporting vouchers, contracts, and payment ledgers to verify the composition of the asset value. For the financing costs incurred during construction, the Valuer recalculated the financing costs based on the verified actual payment amounts.

iv. Intangible assets

The intangible assets mainly included land use rights, the right to use sea areas (海域使用權), software purchased and intellectual property.

For land use rights, the Valuer adopted the market comparison method in the Independent Valuation, which more closely reflects actual transaction values. Under the market comparison method, the Valuer has compared transactions of similar land parcels with the recent period and adjusted the land price based on the differences in transaction status, dates, regions and individual factors.

For the rights to use sea areas (海域使用權), the lack of marketability in Huizhou City rendered the market approach inapplicable. Therefore, the Valuer adopted the cost approach (成本逼近法), which is commonly used for valuing sea area use rights. Under this method, the acquisition cost and related expenses for the subject sea area are summed and adjusted by a correction coefficient for the term of sea area use rights (海域年限使用係數).

For the purchased software, the Valuer determined the appraised value by referencing the market price of the software and consulting the software developer for the price paid by the Target Companies.

For intellectual property, the Valuer employed the cost method for the Independent Valuation, primarily due to the confidentiality of nuclear technology, which precluded the use of market comparisons.

v. Other non-current assets

For other non-current assets, which mainly comprise of long-aged receivables and prepayment. The Valuer sent confirmations for large or long-aged receivables based on the materiality principle and examined on selected samples of relevant contracts. For prepayments, the Valuer verified book value based on the contract terms and the value of goods and services to be received. For recoverable VAT and other deductible items, the Valuer used the verified carrying amount as the valuation reference.

vi. Liabilities

As of the Valuation Benchmark Date, the Target Companies' liabilities included short-term borrowings, accounts payable, employee compensation payable, taxes payable, other payables, non-current liabilities due within one year, and long-term borrowings. The Valuer had verified the book value based on the details and relevant financial information provided by the Target Companies.

Having discussed with the Valuer and reviewed the details of the Valuation Report, we consider the methodologies used for each component constituting the Adjusted NAV are appropriate and align with normal market practice:

Building, machineries and equipment	We consider the replacement cost method is appropriate for self-constructed, owner-occupied buildings and machinery/equipment where direct comparables are lacking; we have further reviewed the detailed variables, including the replacement cost and the newness rates as applied to Huizhou Nuclear Power and Huizhou No. 2 Nuclear Power and adopted by the Valuer. For market-acquired properties and land use rights with observable transactions, the use of the market comparison approach, taking into account of the location, size, usage conditions and other relevant factors, is appropriate and consistent with normal market practice.
Construction in progress	We consider the verification against records/contracts/ paid progress payments and a prudence-based recalculation of fund costs using reasonable schedules and interest parameters – aggregating EPC turnkey items not yet finally settled – are reasonable for long-cycle nuclear projects and support the observed appraised uplifts for Phase I and Phase II.
Sea-area use rights	For sea-area use rights with limited marketability and no standalone income, a cost-approximation method adjusted under the Technical Specification for Sea Area Price Assessment for development interests, profit and value- added income is a recognised surrogate where market and income methods are inapplicable, consistent with the premia over one-off royalty book values in the reports.

Intangible assets	For purchased software, market benchmarking to prevailing licence pricing and vendor/developer confirmations is reasonable. For proprietary IP without observable comparables and with R&D embedded in CIP, a cost approach on a continued-use premise is acceptable within the asset-based framework.
Other non-current assets and liabilities	For other non-current assets and liabilities (including right-of-use assets and interest-bearing debts), the verification and carryover of book amounts where appropriate accord with an asset-based approach and the stated general and special assumptions.

Based on our review of the foregoing, no matters have come to our attention that cause us to question the appropriateness of the methodologies or the resulting appraised values. We are therefore of the view that the methodologies adopted by the Valuer are fair and reasonable, and, considering our other assessments of the Valuer's scope of work and qualifications and our independent cross-checks as set out below, we consider that the appraised value is no less favourable to the Company than would reasonably be expected under normal market conditions.

For the purpose of further assessing the result of the Independent Valuation prepared by the Valuer, we have undertaken a cross-check by reviewing valuation multiples of comparable companies principally engaged in the nuclear power generation business and listed in Hong Kong or mainland China (the "**Comparable Companies**"). We note that the Company and China National Nuclear Power Co., Ltd. ("**CNNPC**", 601985.SH), a subsidiary of China National Nuclear Corporation ("**CNNC**"), are, on an exhaustive basis, the only two publicly listed companies in these markets principally engaged in nuclear power generation with operations and asset bases comparable to the Target Companies.

Given that the consideration for the Acquisition pertains to assets which had not commenced commercial operations during the latest full financial year under review, we consider price-to-earnings ("**P/E**") multiples to be inappropriate for cross-checking purposes. Instead, we emphasise the price-to-book ("**P/B**") ratio as a more relevant metric in evaluating investment value given the capital-intensive nature of the business and accounting for developmental stage. Below set out the calculation of the P/B ratio of the Comparable Companies and the calculation of the implied P/B ratio for the Transaction:

			As at the Latest Practicable Date		
Company name	**Stock code**	**Company description**	**Market capitalisation** *(RMB' Million)*	**NAV attributable to Shareholders** *(RMB' Million)*	**P/B ratio** *(Note 1)*
CGN Power Co., Ltd.	1816.HK/ 003816.SH	CGN Power Co., Ltd. operates and manages nuclear power generating stations. The company operate and manages nuclear power stations, sell electricity, nuclear power stations construction manages, and other services.	174,921	120,697	1.45x
China National Nuclear Power Co., Ltd.	601985.SH	China National Nuclear Power Co., Ltd. is a nuclear energy power producer. The company invests in, constructs, manages and operates nuclear power plants throughout China.	181,615	113,269	1.60x

	Consideration *(RMB' Million)*	**Appraised Value** *(RMB' Million)*	**Implied P/B ratio – Appraised Value basis** *(Note 2)*
The Acquisition	9,375	9,375	1.00x
	Consideration *(RMB' Million)*	**Original Book Value** *(RMB' Million)*	**Implied P/B ratio – net book value basis** *(Note 3)*
	9,375	8,031	1.17x

Source: Bloomberg, Valuation Reports and the interim reports of the Comparable Companies.

Notes:

1. The P/B ratio of the Comparable Companies is calculated by way of dividing the market capitalisation by the latest published NAV attributable to Shareholders of the relevant companies on the Latest Practicable Date.

2. The implied P/B ratio – Appraised Value basis of the Acquisition is calculated by way of dividing the consideration of the Acquisition by the Appraised Value of the Target Companies as at the Valuation Benchmark Date.

3. The implied P/B ratio – net book value basis of the Acquisition is calculated by way of dividing the consideration of the Acquisition by the sum of audited net book values of the Target Companies before appraisal.

Based on the latest available financial statements and closing prices as of Latest Practicable Date, the P/B ratios for the Company and CNNPC are approximately 1.45x and 1.60x, respectively. As the consideration for the Acquisition has been determined with reference to the Appraised Value of the Target Companies, which was assessed under the asset-based approach and represents the fair value of the net assets of the Target Companies, we note that the implied P/B ratio for the Acquisition is effectively 1.0x, should we use sum of the audited net book values of the Target Companies before appraisal, the implied P/B would be 1.17x. Both implied P/B multiple are therefore below the levels observed for these Comparable Companies, indicating a valuation that is conservative relative to market benchmarks, and the consideration for the Acquisition reflects the appraised fair value of the underlying net assets without premium or discount. Given (i) the limited number of Comparable Companies; and (ii) the business nature of the Company and CNNPC as compared with the Target Companies as a whole, we consider the Company and CNNPC are fair and representative samples for the purpose of providing additional information to the Independent Shareholders and as an alternative assessment to cross-check the result of the valuation.

It is important for the Independent Shareholders to note that (i) the business and financial aspects and prospects of the Target Companies, the Company and CNNPC may not be identical; and (ii) the number of market comparable companies is limited, therefore the price ratio analysis is only for general assessment, where the primary reference of the consideration for the Acquisition shall be the Valuation, given the Valuation prepared by an independent professional valuer has taken into account the individual circumstances of each of the Target Companies.

Taking into account the above work and steps we have conducted in relation to the relevant Valuation Report, including but not limited to (i) interviewing the Valuer as to its expertise and its independence; (ii) reviewing the terms of engagement of the Valuer and assessing the appropriateness of its scope of work; (iii) review and assessment on the reasonableness of the valuation methodologies, basis and assumptions being adopted in the Valuation Report; (iv) reviewing the management accounts of the Target Companies; (v) cross-checking of the Valuation and consideration for the Acquisition through our independent research; and (vi) the consideration for the Acquisition is align with the market value of the Share Interest, we consider the consideration for the Acquisition is fair and reasonable, and the Appraised Value is no less favourable to the Company than could reasonably be expected under normal market conditions.

PROPOSED REVISED ANNUAL CAPS FOR THE RECEIPT OF TECHNICAL SUPPORT AND MAINTENANCE SERVICES

Reasons for and benefits for the Non-exempt Continuing Connected Transaction

The Company entered into the Technical Support and Maintenance Services Framework Agreement with CGN on November 21, 2014 and has further completed three renewals of the said agreement with an expiry date on December 31, 2024. The Company entered into the 2025-2027 Technical Support and Maintenance Services Framework Agreement with CGN on October 23, 2024, pursuant to which the CGN Group would provide certain types of technical support and maintenance services to the Group, mainly including spare parts services, production training services, maintenance services, technical studies and expert support services, digital and intelligent technology services and other technical services.

As set out in the Letter from the Board, prior to the completion of the Acquisition, the CGN Group has been providing primarily spare parts services, production training services, maintenance services, technical studies and expert support services, digital and intelligent technology services, and other technical services to the Target Companies in their respective ordinary and usual course of business. After the completion of the Acquisition, the transactions between the CGN Group and the Target Companies will constitute continuing connected transactions of the Group.

As advised by the representative of the Company, based on the actual business operation need, it is anticipated that following the completion of the Acquisition, the original annual caps for receipt of technical support and maintenance services will not be sufficient to meet the business needs for each of the years ending 31 December 2025, 2026 and 2027. Accordingly, on 27 August 2025, the Board considered and approved the revision of the original annual caps for the receipt of technical support and maintenance services by the Group for each of the years during the period from 2025 to 2027 under the 2025-2027 Technical Support and Maintenance Services Framework Agreement.

As further advised by the representatives of the Company, the 2025-2027 Technical Support and Maintenance Services Framework Agreement do not prevent the Group from obtaining technical support and maintenance services from independent third parties or other connected persons. Therefore, the Group may (but is not obliged to) continue obtaining technical support and maintenance services from CGN.

Having considered, in particular, commercial benefits such as cost savings and continued technological support for adopting CGN technology and expertise, (i) the 2025-2027 Technical Support and Maintenance Services Framework Agreement is likely to provide stability and reliability in obtaining technical support and maintenance services to the Group due to the long-established relationship between the Group and CGN; (ii) the Group may (but is not obliged to) continue obtaining technical support and maintenance services from the CGN Group; and (iii) the terms of the 2025-2027 Technical Support and Maintenance Services

Framework Agreement and the Revised Technical Support Annual Caps are fair and reasonable as discussed below, we are of the view that entering into the Non-exempt Continuing Connected Transaction is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Non-exempt Continuing Connected Transaction

We understand from the Letter from the Board that, save for the amendments to reflect the Revised Technical Support Annual Caps, there is no other changes to the terms and conditions, such as the scope of service and pricing principles, of the 2025-2027 Technical Support and Maintenance Services Framework Agreement.

We are advised by the representatives of the Company that, the service fees are agreed and based on actual costs and expenses incurred in providing the relevant services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) a standard pricing policy based on market or historical prices obtained through recent or previous transactions; (ii) the workload and cost of materials, products and labour; and (iii) fees paid to Independent Third Parties for similar services in the ordinary and usual course of business, which shall be on terms no less favourable than those provided by Independent Third Parties.

We are also advised by the representatives of the Company that, in addition to the aforesaid pricing principles, the following guiding principles shall apply to the pricing of services contemplated under the Agreement in the following order:

(1) **Government-prescribed price and government-guided price:** if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government- prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price;

(2) **Market price:** the price of the same or similar products or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms;

(3) **Agreed price:** the price to be determined by adding a reasonable profit over a reasonable cost.

Further details of the pricing policy of the Non-exempt Continuing Connected Transaction are set out in the Letter from the Board.

In respect of the internal control measures for the Non-exempt Continuing Connected Transaction, we note that, among other things,

(i) for government price, the Group reviews the relevant government-prescribed price or government-guided price to ensure that the price of the connected transactions of CGN complies with the relevant government-prescribed price or government-guided price;

(ii) for market price, for the purpose of purchasing the products or services of CGN, the Group reviews the terms provided by Independent Third Parties, and ensures that the principal terms provided by CGN are no less favourable to the Group than those provided by Independent Third Parties;

(iii) for agreed price, if both the principles of the government price and market price do not apply, the price with CGN is determined by adding a reasonable profit over a reasonable cost, and the Group will ensure that the relevant profit is no less favourable than that provided by Independent Third Parties; and

(iv) in accordance with the Listing Rules, (a) the external auditor of the Group will continue to report annually on the continuing connected transactions to confirm, among other things, whether the continuing connected transactions were entered into in accordance with their respective framework agreements and, for the transactions involving the receipt of goods or services by the Group, to confirm whether it is aware of any matters that, in its opinion, the continuing connected transactions are not in compliance with the Group's pricing policy in all material respect; and (b) the independent non-executive Directors will continue to review and report annually on whether the continuing connected transactions are, among other things, entered into in accordance with the respective framework agreements governing them and on terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Further details of the internal control measures of the Non-exempt Continuing Connected Transaction are set out in the Letter from the Board.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and provide confirmations regarding the continuing connected transactions of the Company each year. As advised by the representatives of the Company, the independent non-executive Directors have reviewed the continuing connected transactions under the previous 2022-2024 Technical Support and Maintenance Services Framework Agreement and confirmed that the transactions were entered into in accordance with Rule 14A.55 of the Listing Rules. We have also obtained the independent auditor's assurance report in respect of the disclosed continuing connected transactions of the Company and note that the auditor of the Company has reviewed the continuing connected transactions under the previous 2022-2024 Technical Support and

Maintenance Services Framework Agreement and provided its confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

For our due diligence purpose, we have reviewed a total of six service contracts (two randomly selected service contracts under each pricing principles) of transactions to be contemplated under the 2025-2027 Technical Support and Maintenance Services Framework Agreement. Based on our review, we understand the sample transactions with CGN Group had adhered to the pricing policies aforementioned, given (i) for the government price principle, we have reviewed the pricing of the sample transactions with CGN, and we have also reviewed the relevant government price document, where we noted that the pricing of the sample transactions with CGN Group had made reference to such relevant government price, which complied with the government price principle stipulated under the 2025-2027 Technical Support and Maintenance Services Framework Agreement; (ii) for the market price principle, we have reviewed the pricing of the sample transactions with CGN, and we have also reviewed the relevant pricing document offered by Independent Third Party, where we noted that the pricing of the sample transactions with CGN were no less favourable to the Group when compared to the pricing with Independent Third Party, which complied with the market price principle stipulated under the 2025-2027 Technical Support and Maintenance Services Framework Agreement; and (iii) for the agreed price principle, we have reviewed the cost plus margin of the sample transactions with CGN Group, and we have also reviewed the relevant margin offered by Independent Third Party, where we noted that the cost plus margin of the sample transactions with CGN Group was no less favourable to the Group when compared to the margin with Independent Third Party, which complied with the agreed price principle stipulated under the 2025-2027 Technical Support and Maintenance Services Framework Agreement.

We have obtained and reviewed the Standard Values for Enterprise Performance Evaluation (《企業績效評價標準值》) for 2024 published by the SASAC referred to in the Letter from the Board. We have also considered other publications by SASAC which recognise CGN as one of the leading central state-owned enterprises in China, including its ranking of 17th among A-rated State-owned enterprises in the operational performance assessments from 2022 to 2024. Taking into account that CGN has achieved an A rating, the highest rating, for twelve consecutive years, and that the other State-owned enterprises in list are also flagship SOEs in China, we concur with the Board that the proposed profit ratio is in line with, or more favourable than, the respective industry benchmarks and, accordingly, is fair and reasonable and in the interests of the Company and its Shareholders.

In addition to the above, we were advised by representatives of the Company that the Company's audit department conducts internal audits on a semi-annual basis to monitor whether the connected transactions of the Group are conducted according to the internal control measures, to ensure the aggregate transaction amounts under the 2025-2027 Technical Support and Maintenance Services Framework Agreement are within the annual caps. In addition, prior to the revision of the Revised Technical Support and Maintenance Annual Caps, the Company revised its estimates for the specific continuing connected transactions (the "**Specific CCT(s)**") expected to be contemplated under the original 2025-2027 Technical Support and Maintenance Services Framework Agreement for the 2025 -2027 period, including the nature of the transactions and their total estimated volume (the "**Estimates**"). In practice, if any new Specific CCTs arise that are not covered by the Estimates, the audit department will conduct a further review and approval process to ensure that these transactions are conducted in accordance with the requirement of the Non-exempt Continuing Connected Transaction and do not exceed the Revised Technical Support and Maintenance Annual Caps.

For our due diligence purpose, we have obtained and reviewed the first quarter review report of the continuing connected transactions contemplated under the 2025-2027 Technical Support and Maintenance Services Framework Agreement as well as two randomly selected quarterly review report of the continuing connected transactions contemplated under the 2022-2024 Technical Support and Maintenance Services Framework Agreement. We have also obtained and reviewed three randomly selected contracts that are not covered in the previous Estimates prepared for the 2022-2024 Technical Support and Maintenance Services Framework Agreement that are contemplated in FY2024, together with the supporting and approval documentation reviewed or approved by the audit department. Based on our review on these materials, we are not aware of any internal control deficiencies in respect of these control measurements.

Having considered, in particular, (i) our review of the pricing terms of 2025-2027 Technical Support and Maintenance Services Framework Agreement, which shall in essence be no less favourable than those offered by the Independent Third Parties; (ii) the internal control measures of the Group, particularly the review of, where applicable, the government price and the prices offered by the Independent Third Parties; and (iii) the track record of compliance where the independent auditors of the Company and the independent non-executive Directors had reviewed and will continue to review the continuing connected transactions of the Group, we are of the view that (i) the Group has sufficient internal control measures for governing the 2025-2027 Technical Support and Maintenance Services Framework Agreement; and (ii) the terms of the 2025-2027 Technical Support and Maintenance Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Historical Amount, Existing and Revised Technical Support Annual Caps

Set out below are the amounts of fees paid/payable to CGN Group for the technical support and maintenance services received and recognised by the Group for the years ended December 31, 2022, 2023 and 2024, and the seven months ended July 31, 2025:

	Historical Amounts For			
	The Year Ended December 31,			The Seven Months Ended July 31,
	2022	**2023**	**2024**	**2025**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Total fees paid/payable to CGN by the Group on an actual basis	1,054	2,153	3,090	1,397[Note 2]
Annual Caps	2,362	2,373	3,660[Note 1]	3,430[Note 1]
Utilisation Rates	44.6%	90.7%	84.4%	40.7%

Notes:

1. The annual caps for the year ended December 31, 2024 and the year ending December 31, 2025 are based on the annual caps from the announcement published by the Company on October 23, 2024.

2. The utilisation rate for the year ending December 31, 2025 is computed based on the historical amounts for the period from January 1, 2025 to July 31, 2025.

Set out below are the original annual caps for receipt of technical support and maintenance services and the Revised Annual Caps for the Receipt of Technical Support and Maintenance Services under the 2025-2027 Technical Support and Maintenance Services Framework Agreement for the years ended December 31, 2025, 2026 and 2027:

	Original Technical Support and Maintenance Services Annual Caps/Revised Annual Caps For Year Ending 31 December		
	2025	**2026**	**2027**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total fees paid/payable to CGN by the Group on an actual basis			
(a) Original Technical Support and Maintenance Annual Caps	3,430	3,450	3,430
(b) Revised Technical Support and Maintenance Annual Caps	5,400	5,500	6,000

Basis of determination of the Revised Annual Caps for the Receipt of Technical Support and Maintenance Services (the "Revised Annual Caps"):

As set out in the Letter from the Board, in determining the revised proposed annual caps in respect of the total amount of fees payable to the CGN Group for the technical support and maintenance services provided the CGN to the Group, the Directors have considered, among others,

(i) the historical transaction amounts in relation to the technical support and maintenance services provided by the CGN Group; and

(ii) after the completion of the Acquisition, the corresponding increase in demand for the technical support and maintenance services procured by the Group from the CGN Group particularly following the incorporation of the Target Companies into the Group.

For further detail on the basis of determination of the Revised Annual Caps, please refer to the Letter from the Board.

In assessing the fairness and reasonableness of the Revised Annual Caps, a list of the anticipated continuing connected transactions to be carried out under the Non-exempt Continuing Connected Transaction was obtained from the Company, and it is understood that the Revised Annual Caps reflect the aggregated expected contractual amounts of those anticipated transactions. We also obtained the list that was used to formulate the original annual caps and compared it against the current list of anticipated transactions. We have reviewed the detailed cap calculations and reconciled the different between the original caps and the revised amounts for the period between 2025 to 2027. Detail of the comparison is as below:

		Original Technical Support and Maintenance Services Annual Caps/Revised Annual Caps For Year Ending 31 December		
		2025	2026	2027
		(RMB million)	*(RMB million)*	*(RMB million)*
Difference between the Original and Revised Technical Support and Maintenance Annual Caps		1,970	2,050	2,570
Attributable to:				
Digitalisation services such as DCS supply and joint design services for nuclear islands	*(i)*	775	1,010	1,593
Investment in research and development	*(ii)*	374	327	172
Spare parts services, digital and intelligent technology services, and maintenance services to be received from the CGN Group by the Target Companies proposed to be acquired by the Company	*(iii)*	76	204	209
Procurement of spare parts	*(iv)*	78	26	36
Digital and intelligent technology services	*(v)*	190	214	224
Services for environmental protection and equipment maintenance	*(vi)*	212	258	314
Others	*(vii)*	265	11	22

(i) For digitalisation services such as DCS supply and joint design services for nuclear islands, we have discussed with the representatives of the Company and were advised that the DCS serves as the digital nerve centre that controls all nuclear power plant operations, monitoring and controlling thousands of systems and equipment to ensure reactor safety and operational efficiency. Due to stringent export restrictions on nuclear-related technology from foreign countries making acquisition from third parties worldwide unavailable, CGN developed its proprietary nuclear-grade DCS platform with independent intellectual property rights, which can significantly reduce reactor operating costs compared to foreign alternatives. The Board believes adopting CGN's DCS and nuclear island design would bring significant cost savings and continued technological support with supply chain certainty, making CGN effectively the only viable supplier in this strategic technology domain.

(ii) Regarding investment in research and development, as advised by the representative of the Company, the Company prioritises safety while focusing on enhancing the economic viability, technological advancement, and autonomous capabilities of Hualong One through continuous design optimisation and technical improvements. These efforts have strengthened the competitive position of the Company's Hualong One technology. Meanwhile, in response to industry trends toward safer and more economical nuclear power solutions, the Company has intensified its nuclear energy innovation initiatives by establishing strategic research projects and actively advancing fourth-generation nuclear power technology and small modular reactor (the "**SMR**") development. The Company maintains its competitive edge by continuously monitoring cutting-edge technological developments both domestically and internationally, thereby supporting the Group's long-term sustainability objectives. For prototype development and joint research initiatives with CGN, the representative of the Company indicated that these strategic partnerships enable the Group to capitalize on CGN's comprehensive R&D infrastructure and technical expertise. By leveraging CGN's proven nuclear technology capabilities, these collaborations accelerate innovation cycles and reinforce the Group's technological competitiveness within the nuclear power sector.

(iii) As advised by the Company's representatives, this represents fees payable for services or products that are similar to other categories summarised in this list and that are expected to be received by the Target Companies, which the subjected services and products are necessary to bring the relevant nuclear power plants to commercial operation.

(iv) For the procurement of spare parts, we are advised by the representatives of the Company that Acquisition of the Target Companies, and potential acquisition in the future would increase the procurement of spare parts in accordance with the reserve arrangements for the spare parts.

(v) For the services related to digital and intelligent technology. The representatives of the Company confirm that these services are related to the advancement of digital and intelligent transformation. CGN has provided the Group with technical support and maintenance services for a long period and is familiar with the operations of the Group. The continued technical support and maintenance services from the CGN Group can ensure stable operation and efficient operational coordination of the Group.

(vi) For environmental protection and equipment maintenance, we understand from the representatives of the Company that the increased demand for technical support and maintenance services is attributable to the overhaul requirements of operational nuclear power units and enhanced environmental protection initiatives, including water treatment operations. The Group requires expanded major overhaul auxiliary support and environmental facility operation and maintenance services from CGN Group to meet these operational needs.

(vii) For other business, we are advised by the representatives of the Company that those business are primarily to ensure the safe and efficient construction and operation of nuclear power units, the Group will modify certain existing equipment or purchase new equipment and related materials, as well as obtain expert support services necessary for normal equipment operation, procuring relevant equipment, equipment modifications, and expert support services from CGN Group. As such work is usually closely related to the annual work plans of subsidiaries, the transaction amounts may vary each year.

Based on our above discussions with the Company's representatives, it is understood that the anticipated continuing connected transactions estimated to be carried out under the Non-exempt Continuing Connected Transaction are necessary either to bring the relevant nuclear power plants to commercial operation or to maintain efficient and safe day-to-day operations of the nuclear power plants.

To further assess the fairness and reasonableness of the Revised Annual Caps, we have conducted discussions with representatives of the Company regarding the methodology employed in determining the contract amounts underlying the Non-exempt Continuing Connected Transactions for the purpose of formulating the Revised Annual Caps. We understand from the Company that the determination methodology comprises two categories:
(i) for signed contracts, the actual contract amounts and the respective contractual terms of the payment are incorporated in determining the Revised Annual Caps; (ii) for unsigned items, where similar arrangements have previously been entered into between the Group and the CGN Group, the estimates are based on historical contracts of similar scope and settlement patterns, while items without precedents are estimated by reference to expected usage quantities and planned work packages prepared by the responsible business units and payment pattern is based on the estimated supply and delivery milestone schedule.

We have discussed with representatives of the Group and understood that, given the large number of anticipated transactions and the differences in contract values and settlement schedules across service and product categories, proportional increases by category are not directly comparable. In view of the heterogeneous milestone structures across different service and product categories, we adopted a random sample testing approach to test that the contracts and items used to formulate the Revised Annual Caps are properly sourced, arithmetically accurate, and appropriately time-phased according to the referenced payment terms or patterns.

For our due diligence purposes, we obtained and reviewed 28 random samples (4 from each of the categories (i) to (vii), with each category's samples comprising 2 estimates derived from signed contracts and 2 estimates derived from unsigned items). For signed contracts, the contract sums were traced to executed contracts and the contractual payment terms were reconciled to the cap model to confirm proper allocation to the correct year(s). For unsigned items with precedents, we traced the estimates to referenced historical contracts and verified that, in case of adjustments, assumption for the adjustment such as change in scope or quantity is reasonable, and that the allocations to cap years matched the referenced historical settlement pattern. For unsigned items without precedents, we reviewed the estimates against internal demand plans and usage assumptions prepared by business units and checked milestone timing against project schedules and the associated payment patterns. Based on our review of the sampled items, the amounts included in the cap model for those items were properly calculated, sourced and time-phased, and no matters were noted from our sample that would indicate the amounts included in the cap model for those items were not properly determined and time-allocated.

As part of the work performed, historical utilisation for technical support and maintenance services was reviewed by reference to actual fees paid/payable of RMB2,153 million in 2023 and RMB3,090 million in 2024, representing utilisation rates of 90.7% and 84.4%, respectively, indicating limited headroom under prevailing run rates. The originally approved caps for 2025-2027 of RMB3,430 million, RMB3,450 million and RMB3,430 million, respectively, were set prior to Acquisition hence do not reflect demand driven by the Acquisition and the Board's expectation that the Group will gradually have some new projects to be approved by the state, which together add scope for DCS supply and joint nuclear island design, increased research and development, spare parts and maintenance, and digital/intelligent and environmental protection services. In addition, the original 2025 cap of RMB3,430 million sits below the prior 2024 cap of RMB3,660 million notwithstanding the observed high utilisation, further evidencing insufficient capacity if underlying demand trends persist. Taken together, these factors support the upward revision to RMB5,400 million, RMB5,500 million and RMB6,000 million, respectively, for 2025–2027 from a utilisation-rate perspective.

In respect of our work on the Revised Annual Caps, we have, among other procedures, (i) reviewed and discussed that the nature of the anticipated continuing connected transactions are necessary either to bring the relevant nuclear power plants to commercial operation or to maintain efficient and safe day to day operations of the nuclear power plants; (ii) performed procedures on a randomly sampled set of anticipated continuing connected transactions to assess proper determination and time allocation; and (iii) analysed historical transaction amounts and utilisation against the original caps. Based on our review and analysis, we consider the basis for determining the Revised Annual Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned."

RECOMMENDATION

Having considered the above, we are of the opinion that the Share Transfer Agreement, the Acquisition, and the Non-exempt Continuing Connected Transaction are in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the terms of the Share Transfer Agreement and the Non-exempt Continuing Connected Transaction are on normal commercial terms and, together with the Revised Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Acquisition and the Continuing Connected Transaction at the EGM.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited

Brandon Li	**Alex Wang**
Director	*Assistant Director*

1. Mr. Brandon Li is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese Corporate Finance, Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 11 years of experience in corporate finance.

2. Mr. Alex Wang is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 6 years of experience in corporate finance.

Brandon Li	**Alex Wang**
Director	*Assistant Director*