

ZHEJIANG ZHENENG ELECTRIC POWER CO., LTD.

浙江浙能电力股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 600023.SH)

(the "Company" or "Zhejiang Electric")

ANNOUNCEMENT

CONNECTED TRANSACTION

relating to Outbound Investment

The Board of directors of the Company and each member of the Board have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement are fair and accurate and that there are no other material facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading, and jointly and severally accept responsibility accordingly.

- Closing of this Transaction (as defined below) is subject to approval of the general meeting of the shareholders of the Company, outbound investment approval of the National Development and Reform Commission (NDRC), the competent Ministry of Commerce (MOFCOM), the competent State-owned Assets Supervision and Administration Commission (SASAC) and the State Administration of Foreign Exchange (SAFE), and China merger control clearance; shareholders should be aware of the uncertainty that closing would occur.
- This Transaction is a connected transaction but does not amount to major assets reorganization under the *Administrative Measures for Major Assets Reorganization of Listed Companies (of the PRC)*.
- Acquisition by the Company's wholly owned subsidiary Zhejiang Zheneng Electric Power Investment (HK) Limited (the "**Zheneng SPV**" or "**Buyer**" or "**Offeror**") of 25.62% shares of Zheneng Jinjiang Environment Holding Company Limited ("**Jinjiang Environment**" or "**Target**") will result in Zheneng SPV and its affiliated company Zhejiang Energy Hong Kong Holding Limited ("**Zhejiang Energy**"), together holding more than 30% of the shares of the Target. Pursuant to the Singapore Code on Take-overs and Mergers (the "**Code**"), the Buyer is thus required to extend the offer to acquire the remaining shares of the Target to all other Target shareholders.

THE CONNECTED TRANSACTION RELATING TO OUTBOUND INVESTMENT

The Board is pleased to announce that it has approved the acquisition by the Company the 25.62% shares of Jinjiang Environment, comprising 3.04% shares to be sold by China Green Energy Limited and 22.58% shares to be sold by Win Charm Limited (the "**Transaction**").

Zhejiang Energy is by far the largest controlling shareholder of the Target, holding 29.57% share capital of the Target. As the Company, the Offeror and Zhejiang Energy are all under common control of Zhejiang Provincial Energy Group Co., Ltd ("**Zheneng Group**"), this Transaction is a connected transaction.

This Transaction will result in Zheneng SPV (the Buyer/Offeror) and its affiliated

company Zhejiang Energy Hong Kong Holding Limited (“**Zhejiang Energy**” or “**Zheneng HK**”), together holding more than 30% of the shares of the Target. Pursuant to the Singapore Code on Take-overs and Mergers, the Buyer is thus required to extend the offer to acquire the remaining shares of the Target to all other Target shareholders.

This Transaction does not amount to major assets reorganization, but is subject to approval of the general meeting of the shareholders of the Company. This Transaction is also subject to outbound investment filings/approvals from the National Development and Reform Commission (NDRC), the competent Ministry of Commerce (MOFCOM), the competent State-owned Assets Supervision and Administration Commission (SASAC) and the State Administration of Foreign Exchange (SAFE), and China merger control clearance.

INFORMATION ON THE PARTIES

I. The Affiliated Parties

Zheneng HK, holding 29.57% shares of the Target, is the wholly owned subsidiary of Zhejiang Energy International Limited (“**Zheneng International**”).

Zheneng International is a company incorporated in the Hong Kong (SAR), with its place of business at 14/F Harbour Centre, 25 Wanchai Rd, Hong Kong Island. Zheneng International is an investment holding company, with a share capital of HKD4,132 million. As of 2019 financial year end, Zheneng International has total assets of HKD28,662 million, net assets of 8,737 million. Zheneng International’s total revenue and net profit in 2019 are HKD4,251 million and HKD494 million respectively.

Zheneng International’s shareholders are Zheneng Group and Zheneng Capital Holdings Co., Ltd. (“**Zheneng Capital**”); Zheneng Capital is a wholly owned subsidiary of Zheneng Group. Therefore Zheneng HK is an indirect wholly owned subsidiary of Zheneng Group.

As the largest shareholder of the Target, Zheneng HK, Zhejiang Electric and its subsidiary, Zheneng SPV, are all under common control of Zheneng Group, this Transaction constitutes a connected transaction between the Company and its affiliates.

II. The Counterparties (Sellers)

Win Charm Limited is a Cayman Islands Exempt Company incorporated on 18 August 2005, with its registered address at 4th Floor, Harbour Place, 103 South Church Street, P. O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

Jinjiang Green Energy Limited (“**Jinjiang Green Energy**”) is a Cayman Islands Exempt Company incorporated on 5 May 2004, with its registered address at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, Ky1-1205 Cayman Islands.

Win Charm Limited (“**Win Charm**”) is an indirect wholly owned subsidiary of Hangzhou Jinjiang Group Co., Ltd. (“**Jinjiang Group**”). The shareholders of Jinjiang Group are Dou Zhenggang and his spouse Wei Xuefeng. Dou Zhenggang holds 63.29% of the registered capital of Jinjiang Group, while Wei Xuefeng, through her wholly owned subsidiary Zhejiang Hengjia Holding Co., Ltd., holds 36.71% registered capital of Jinjiang Group.

Jinjiang Green Energy's shareholders are Jennifer Wei and Win Charm, holding 50.01% and 49.99% registered capital of Jinjiang Green respectively. Jennifer Wei is the daughter of Dou Zhenggang.

Therefore, Win Charm and Jinjiang Green Energy are ultimately controlled by the Dou family.

Jinjiang Group was established on 17 March 1993, with a registered capital of RMB990,000,000, with its legal representative being Zhang Jianyang, and having its registered address at 20-22F Jinjiang Building, 111 South Hushu Rd, Hangzhou, Zhejiang Province. Jinjiang Group is a private enterprise mainly engaged in the business of green energy, non-ferrous metals and chemical engineering.

As of 2019 financial year end, Jinjiang Group has total assets of RMB70,006,176,300, net assets of RMB25,445,946,500. The total revenue and net profit of Jinjiang Group in 2019 are RMB82,848,302,500 and RMB1,364,239,900 respectively.

III. Relationship between Zhejiang Electric and the Sellers and Ultimate Controllers of the Sellers

Zhejiang Electric is not in any way associated with the Sellers or the Ultimate Controllers of the Sellers, be it in respect of ownership, business, assets, debt and credit, personnel or whatsoever.

INFORMATION ON THE TARGET

I. The Target (Jinjiang Environment)

The Target (BWM; ZJE.SP) is a company incorporated in the Cayman Islands and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Target's largest shareholder is Zheneng HK, holding 29.57% shares of the Target. Its second largest shareholder is Win Charm, which, together with its affiliate Jinjiang Green Energy, holds 25.62% shares of the Target. The remaining 44.81% shares of the Target is held by three institutional investors, the Target's directors and public shareholders.

The Target is a forerunner and leading waste-to-energy operator in China's waste-to-energy ("WTE") industry. In terms of waste treatment capacity and geographical coverage, Zheneng Jinjiang Environment is still among the top few WTE industry players in the PRC. Zheneng Jinjiang Environment operates 21 WTE facilities in the PRC, with a total waste treatment capacity of over 30,000 tons/day and an installed electricity power generation capacity of 632MW.

According to the Audit Report issued by PricewaterhouseCoopers Zhong Tian LLP (pwczhongtianteshenzi (2020) No. 3048) in accordance with the PRC GAAP (the "PWC Report"), with 30 April 2020 as the base date, the key financial indicators of the Target for the FY 2019 and the period from 1 January 2020 to 30 April 2020 are set forth below:

	as at 30 Apr 2020	as at 31 Dec 2019
	RMB'000	RMB'000

Total assets	16,372,188	16,026,897
Total liabilities	10,974,872	10,593,294
Total equity	5,397,316	5,433,603
Equity attributable to owners	5,272,089	5,313,214

	2020 (Jan - Apr)	2019
	RMB'000	RMB'000
Revenue	772,190	2,818,522
Profit	10,654	146,487
Net profit	-15,043	36,678
Net profit attributable to owners	-19,881	26,034

As the SGX-ST listed Target prepares its financial statements in accordance with the IFRS, the equity attributable to owners as of 30 April 2020 in the PWC Report would be RMB5,656,456,000 if adjusted applying IFRS.

The Company has not provided guarantee for the Target nor has entrusted the management of any trading/financing activities to the Target. The Target has not borrowed money from the Company.

II. Basis of Determination of the Consideration

The consideration under this Transaction is determined on the basis of the RMB5,656,456,000 net asset value attributable to owners stated in the audited financial statement of the Target (prepared in accordance with IFRS) with 30 April 2020 as the base date.

According to the Appraisal Report issued by Zhejiang Wanbang Assets Evaluation Co., Ltd. (Wanbangpingzi (2020) No. 54), the appraisal is conducted with 30 April 2020 as the base date, adopting the income method and market method. The appraisal value for total equity to owners of the Target is between RMB4,631,200,000 and RMB5,700,000,000 and the value assigned for the entire share capital of Target in this Transaction falls within the afore range.

For the purpose of the foregoing appraisal, valuation by income method was conducted cautiously, mainly based on the Target's production capacity as of the base date, taking into consideration possible influence on the Target's future incomes by the ongoing construction, renovation or expansion projects under existing investment plans, while the following factors were not considered for the purpose of the valuation: possible new project plans contemplated by the Target, potential adjustment to local tipping fee rates in cities where Target operates WTE plants, or potential increase in waste calorific values. Valuation of the technical service business was based on predicted economic returns of

existing contracts, without considering new business opportunities. The valuation was also based on the assumption that only WTE plants equipped with grate boilers are entitled to VAT refunds. Moreover, the valuation adopts a discount rate of 8.65% which is calculated using the weighted average cost of capital (WACC) model.

The market method valuation is made on the basis of (i) the average price of the Target's shares traded on SGX-ST on the 20th, 60th and 120th days prior to the valuation date, and (ii) adopting the average of the premium rates applied in offer acquisitions and privatization transactions of listed companies on SGX-ST from 2016 to April 2020. The valuation is derived based on market precedents and is consistent with the market value of the Target recognized in both the PRC and Singapore.

The transaction will achieve significant synergy effect. With the help of Zhejiang Electric's rich experience in power generation business, the Target will be able to optimize its operation and management, promote the development and investment of new WTE projects, and expand its scale and competency in the WTE industry. Moreover, Zhejiang Electric will shore up the funding resources accessible to the Target to enhance its credit rating and reduce financing costs, thus accelerating technological transformation, and fully utilizing the Target's waste resources and franchise value.

Based on the foregoing, the consideration for the contemplated acquisition is reasonable, and it is believed that the transaction is capable of delivering long-term returns as required by Zhejiang Electric's investment strategy.

SALIENT TERMS OF THE TRANSACTION

1. Sale Shares : an aggregate of 372,560,575 ordinary shares of the Target (representing 25.62% of the Target's issued share capital), comprising of 44,195,575 ordinary shares to be sold by Jiniang Green Energy (representing 3.04% of the Target's issued share capital) and 328,365,000 ordinary shares to be sold by Win Charm (representing 22.58% of the Target's issued share capital).

2. Consideration : According to the basis of determination of the consideration, the total consideration for the Sale Shares is RMB1,449,260,636.75 (and RMB3.89 for each share).

The consideration is denominated and paid in SGD, adopting the SGD to RMB conversion rate of 4.9993, which is the central parity rate published by the People's Bank of China on the business day immediately before the execution date of the share purchase agreement in relation to the Transaction (the "SPA"). Upon conversion into SGD, the price for each share is S\$0.7781, and the total

consideration for the Sale Shares is S\$289,889,383.40 (the “SGD Price”).

SGD Price has taken into account the profit and loss from the base date to the Closing date of the Transaction under the SPA, as if Offeror has acquired all the Sales Shares on the base date. Offeror shall be entitled to make necessary ex-right/ex-dividend adjustments to ensure that it is entitled to and actually receives all financial benefits of the Sale Shares as if it is the owner from the base date.

3. Conditions : Closing of the Transaction is conditional upon the satisfaction of or (to the extent permissible under applicable law) waiver by the Offeror in writing of each of the following conditions:

- (i) each of the representations and warranties made by each Seller is true, accurate and complete and not misleading on the signing date of the SPA as well as on the SPA Closing Date as if they are made again on such date.
- (ii) each Seller shall have performed and complied with all agreements and obligations set out under the SPA which it is required to perform and comply with on or before the SPA Closing Date; no Seller is in breach of any provision or in default of any obligation under the SPA.
- (iii) there is no law (including any change in law) or judgment, ruling, decision, injunction or order issued by any court, arbitration institution or government authority that would prohibit, restrict, cancel or otherwise impede the Transaction.
- (iv) the Offeror having obtained the relevant approvals from the State-owned Assets Supervision and Administration Commission (SASAC) at the Zhejiang provincial level for the Transaction.
- (v) the Offeror having obtained the notice of filing or acceptance and/or approvals in respect of the outbound direct investment (ODI) filing required to be made for the Transaction from the NDRC,

Zhejiang provincial MOFCOM and SAFE.

(vi) the Offeror having obtained the Notice of No Further Review issued by the Anti-Monopoly Bureau of the State Administration of Market Regulation.

(vii) the Transaction having been approved by Zhejiang Electric's shareholders at a general meeting.

4. Closing & Payment : Closing of the Transaction shall occur within ten business days or any later date as may be agreed among the SPA parties upon satisfaction (or waiver) of the Conditions. The date the Sale Shares are transferred to the account of the Buyer shall be the Closing Date.

Buyer shall make payment of the SGD Price in the amount of S\$191,875,661.48 on the Closing Date, with the rest of the SGD Price (i.e., S\$98,013,721.92) payable upon the Sellers' satisfaction of tax filing obligations and certain other obligations provided for under and in accordance with the SPA.

5. Termination : The SPA may be terminated before completion of the Share Transfer upon the occurrence of the following events:

(a) if any Condition remains unsatisfied (and not waived by the Offeror pursuant to the SPA) on the Long Stop Date (being six month from the SPA execution date) or any later date agreed among the SPA Parties, any SPA Party may terminate the SPA;

(b) if any SPA Party fails to cure its material breach of any warranty, covenant or obligation under the SPA within fifteen (15) Business Days after receipt of a written notice from any other SPA Party with regard to such breach, the SPA Party issuing such notice of breach may terminate the SPA;

(c) if the Acquisition is restricted, prohibited or cancelled by any judgment, ruling, decision, injunction or order issued by any court, arbitration institution or government authority, any SPA Party may terminate the SPA.

To the extent any Party has already performed any obligation towards consummation of the Transaction, the Parties shall cooperate to unwind such action or transaction, including the Sellers returning any SGD Price if already paid by the Buyer and the Buyer transferring back the Sale Shares if already transferred to the Buyer.

THE OFFER

According to the Code, the Offeror shall extend the offer (“Offer”) to acquire all remaining 44.81% shares of the Target held by other shareholders upon satisfaction of the Conditions of the Transaction for acquisition of the 25.62% Sale Shares, at the same SGD Price per share, being S\$0.7781.

As at the end of June 2020, Zhejiang Electric has a net asset value attributable to owners of RMB63,614 million, cash balance of RMB16,733 million and debt asset ratio of 35.63%. Zhejiang Electric is capable of satisfying its payment obligations in respect of considerations for both the Transaction and Offer.

The Target if no longer satisfies listing requirements of SGX-ST upon completion of the Transaction and after close of the Offer, the Company has no intention to maintain the Target’s listing status.

IMPACT OF THE TRANSACTION ON ZHEJIANG ELECTRIC

The WTE business has a significant prospect of future growth. By acquiring 25.62% shares in the Target and launch the subsequent offer acquisition, Zhejiang Electric may quickly become a player in the WTE industry with a competent scale. This is in line with Zhejiang Electric's strategies of transformation, upgrade, and development.

Through years of operation of WTE plants, the Target has possessed rich resources and is a forerunner in the WTE industry in the PRC. The Target has a first-move advantage – as it operates mostly in large and medium-sized cities, in some of which, the Target is the only player, making the Target less susceptible to the NIMBY effect.

Zhejiang Electric’s core business of power generation and the Target’s WTE business will deliver synergy effect. Zhejiang Electric's resources in capital, technology and management expertise will help the Target facilitate its technological transformation, improve quality and increase efficiency of its WTE operations. From a long-term perspective, the WTE business has a bright prospect of future growth and will be a new forefront of Zhejiang Electric’s business development.

Disclaimer

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