
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Guodian Technology & Environment Group Corporation Limited*, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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



國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

**(1) CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO OF THE FRAMEWORK AGREEMENT FOR
PURCHASE AND SALE OF COMPREHENSIVE PRODUCTS
AND SERVICES FOR 2022 TO 2024;
(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Gram Capital Limited
嘉林資本有限公司

The Company will convene the EGM at the Conference Room, 12th Floor, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the PRC at 10:30 a.m. on Tuesday, 28 December 2021. The notice of the EGM, the form of proxy and the reply slip for the EGM have been dispatched and published on 10 December 2021.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature screening/checks
- (2) Wearing of surgical face mask
- (3) No provision of refreshments or drinks

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

* *For identification purposes only*

CONTENTS

	<i>Page</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	18
LETTER FROM GRAM CAPITAL	20
APPENDIX – GENERAL INFORMATION	41
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“China Energy”	China Energy Investment Group Co., Ltd.* (國家能源投資集團有限公司), a limited liability company established in the PRC and a controlling shareholder of the Company
“Company”	Guodian Technology & Environment Group Corporation Limited* (國電科技環保集團股份有限公司), a joint stock limited liability company established in the PRC, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 01296)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Domestic Shares”	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving (1) the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps; and (2) the proposed appointment of non-executive Director
“Group”	the Company and its subsidiaries
“Guodian Group”	China Guodian Corporation Ltd.* (中國國電集團有限公司), a state-owned enterprise established in the PRC, which was the controlling shareholder of the Company prior to its absorption and merger into China Energy
“Guodian Power”	Guodian Power Development Co., Ltd.* (國電電力發展股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600795)

DEFINITIONS

“H Share(s)”	the overseas-listed foreign shares in the ordinary share capital of the Company, with a RMB denominated par value of RMB1.0 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors established for the purpose of considering and advising the Independent Shareholders in respect of the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the 2021 Purchase and Sale Framework Agreement to be considered at the EGM and the transactions contemplated thereunder, and the proposed annual caps
“Independent Shareholders”	Shareholder(s) other than those required to abstain from voting on the resolution(s) relating to the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps at the EGM under the Listing Rules
“Independent Third Party(ies)”	a person/persons, or in case of a company/companies, the company/companies or its/their ultimate beneficial owner(s), who is/are independent or and not connected with the Company and its subsidiaries and their respective connected persons and their respective ultimate beneficial owner(s) or their respective associates
“Latest Practicable Date”	7 December 2021, being the latest practicable date for ascertaining certain information referred to in this circular prior to its printing
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“NDRC”	the National Development and Reform Commission of the PRC
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the H Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2018 Purchase and Sale Framework Agreement”	the framework agreement dated 13 November 2018 and entered into among the Company, China Energy and Guodian Group in relation to the mutual provision of comprehensive products and services
“2021 Purchase and Sale Framework Agreement”	the framework agreement dated 5 November 2021 and entered into between the Company and China Energy in relation to the mutual provision of comprehensive products and services
“%”	per cent.

The English translation of the names in Chinese which is marked with “” in this circular is for identification purposes only.*

LETTER FROM THE BOARD



國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

Executive Directors:

Mr. Chen Dongqing (*Chairman*)

Mr. Li Caiyun

Legal Address:

Suite 1101, 11/F, Building 1

Yard 16, W. 4th Ring Middle Road

Haidian District, Beijing, the PRC

Non-executive Directors:

Mr. Song Chang

Mr. Zhang Wenjian

Mr. Gu Yuchun

Ms. Ge Xiaojing

Principal Office in the PRC:

Building 1

Yard 16, W. 4th Ring Middle Road

Haidian District, Beijing, the PRC

Independent Non-executive Directors:

Mr. Shen Xiaoliu

Mr. Qu Jiuhui

Mr. Xie Qiuye

Mr. Yeung Chi Tat

Principal Place of Business in Hong Kong:

31/F, Tower Two, Times Square

1 Matheson Street, Causeway

Bay, Hong Kong

10 December 2021

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO OF THE FRAMEWORK AGREEMENT FOR
PURCHASE AND SALE OF COMPREHENSIVE PRODUCTS
AND SERVICES FOR 2022 TO 2024;
(2) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 13 November 2018 in relation to, among others, the continuing connected transactions under the 2018 Purchase and Sale Framework Agreement. As the 2018 Purchase and Sale Framework Agreement will expire on 31 December 2021 and the Company is expected to continue with the continuing connected transactions under the 2018 Purchase and Sale

LETTER FROM THE BOARD

Framework Agreement, on 5 November 2021 (after trading hours), the Company entered into the 2021 Purchase and Sale Framework Agreement with China Energy, for a term commencing from 1 January 2022 to 31 December 2024 and setting the annual caps thereof. Reference is also made to the announcement of the Company dated 6 December 2021 in relation to, inter alia, the proposed appointment of non-executive Director.

The purpose of this circular is to provide you with further information on the details of the 2021 Purchase and Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, as well as the proposed appointment of the non-executive Director.

THE 2021 PURCHASE AND SALE FRAMEWORK AGREEMENT

A summary of the principal terms of the 2021 Purchase and Sale Framework Agreement is set out below:

Date	:	5 November 2021 (after trading hours)
Parties	:	(a) the Company; and (b) China Energy
Term	:	The term of the 2021 Purchase and Sale Framework Agreement is from 1 January 2022 to 31 December 2024.
Subject matter	:	Products and services to be provided by the Group to China Energy and its subsidiaries mainly include: (a) Products: environmental protection equipment (including ash removal, water treatment, denitrification catalyst, etc.), energy conservation equipment (including plasma ignition, etc.), wind power pitch control system, converters and power station DCS control system; and (b) Engineering services: environmental protection services (including desulfurization and denitrification concession operation, desulfurization and denitrification Engineering Procurement Construction (“EPC”), integrated energy services, water treatment and water operation, etc.), energy conservation services (including steam turbine flow passage transformation, heat supply transformation, heat supply operation and maintenance and contractual energy management, etc.), intelligent station construction and commissioned management and operation, etc..

LETTER FROM THE BOARD

Products and services to be provided by China Energy and its subsidiaries to the Group mainly include water, electricity, steam, wind turbine generators and their operation and maintenance services, new energy power station construction EPC and technical consulting services.

The parties agree that the signing of the 2021 Purchase and Sale Framework Agreement shall not preclude them from choosing counterparties at their discretion, or conducting transactions with third parties. China Energy undertake that they will provide and procure its subsidiaries to provide the Group with products and services on terms that are not less favourable than those offered to third parties. Further, the price of products and services to be provided by the Group will be not more favourable than those offered to the third parties suppliers.

China Energy and its subsidiaries agree to prioritize the use of the Group's products and services, in the event that conditions and fees payable for the products and services to be provided by third parties are comparable with those of the products and services to be provided by the Group.

China Energy and its subsidiaries are entitled to provide products and services to third parties, under the condition that the products and services to be provided to the Group will not be affected.

Where any of the parties fails to satisfy the needs for products and services of another party, or the conditions to be provided by an independent third party are more favorable, the party is entitled to acquire products and services from the independent third party.

Each party shall, on annual basis, provide the other parties with an estimation for the amount of products and services required in the coming year.

The Group and China Energy and its subsidiaries will enter into separate agreements which set out the specific scope of products and services, terms and conditions of providing such services and products on normal commercial terms.

LETTER FROM THE BOARD

Pricing policy : According to the general pricing policy of the Company on continuing connected transactions, the pricing of the products and services in relation to the 2021 Purchase and Sale Framework Agreement shall be determined in accordance with the following general principles and sequence, but the pricing of products or services provided by the Group to China Energy and its subsidiaries shall not be lower than the pricing of the same products or services provided to Independent Third Parties, and the pricing of products or services purchased by the Group from China Energy and its subsidiaries shall not be higher than the pricing for the same products or service purchased from Independent Third Parties:

- (1) where there is a government-prescribed price, the government-prescribed price;
- (2) where there is no government-prescribed price but there is a government guidance price, the government-guidance price;
- (3) where there is neither government-prescribed price nor government-guidance price, the historical transaction price or prevailing market price; or
- (4) where none of the aforesaid is available, the principle of reasonable cost plus reasonable profit shall be adopted in determining the appropriate price.

The Group follows the above general pricing policies for both sales and purchases, specifically: except for products/services applicable to government-prescribed price/guidance price, the principle of reasonable cost plus reasonable profit will be normally considered for sales pricing, historical price/market price and its own cost will be also comprehensively considered, and the sales are required to be determined through the bidding process or non-bidding quotation organized by the purchaser, sole source procurement and other procurement processes, which enable the Company to win the bid with competitive advantages in services and technology. Suppliers shall solely be selected through holding bidding process or nonbidding quotation, sole-source procurement and other procurement processes, while comparisons and negotiation between historical or market prices shall be carried out to determine the price.

LETTER FROM THE BOARD

Reasonable cost shall refer to provision costs or production costs as agreed by both parties after arms' length negotiations, or costs permitted by the PRC financial and accounting rules (inclusive of taxes and levies) as agreed by both parties after arms' length negotiations.

Reasonable profits shall be determined by referring to the overall average profit margin within the relevant industry, average profit margin for the relevant products or services, overall historical transaction amounts and profit margins, superiority (technological or otherwise) of the product or service, supply and demand, availability of substitutable products or services, profit margin for the relevant business of the Group, local commodity prices and local economic development levels.

Historical price: (1) the price paid by the Group, as the receiving party of products or services, for such products and services recently (subject to the duration of the contract terms, the same below); or (2) the price charged by the Group, as the provider of products and services, for such products and services recently; or (3) the transaction price in relation to such products or services among independent third parties in recent.

Market price: (1) the price charged by the Group, as the receiving party of products and services, for such or similar products and services to be provided by Independent Third Parties to the Group in the vicinity, similar period and normal business transaction; or (2) the Group as the provider of products and services, the price paid for such or similar products and services by Independent Third Parties to the Group in the vicinity area, similar period and normal business transaction; or (3) the transaction price in relation to such or similar products and services among independent third parties in the vicinity, similar period and normal business transaction.

Application of specific products and services provided by the Company to China Energy and its subsidiaries:

The above general principle (1) is applicable to subsidized electricity price for desulfurization and denitrification concession service among the engineering services provided by the Group to China Energy and its subsidiaries.

Subsidized electricity price for desulfurization and denitrification concession service is established and adjusted by the NDRC, and will be updated from time to time based on the actual conditions, taking into account the corresponding cost of additional installation of environmental facilities.

LETTER FROM THE BOARD

In particular, the electricity price for desulphurization is stipulated under Rule 4 of the Administrative Measures on the Price of Electricity Price for Desulphurization of Coal Power Generating Units and Operation of the Desulphurization Facilities (Provisional)* (Fa Gai Jia Ge [2007] No. 1176) (《燃煤發電機組脫硫電價及脫硫設施運行管理辦法(試行)》(發改價格[2007] 1176 號)) as formulated on 29 May 2007, and the on-grid tariffs are set as RMB0.015 per KWh on top of the prevailing on-grid tariffs. The electricity price for denitrification was raised, as promulgated in the Notice of the NDRC in Relation to Adjustment to Surcharge Standards on Renewable Energy Tariffs and Relevant Matters of Environmental Protection Electricity Price* (Fa Gai Jia Ge [2013] No. 1651) (《國家發展改革委關於調整可再生能源電價附加標準與環保電價有關事項的通知》(發改價格[2013] 1651 號)) on 27 August 2013, to RMB0.01 for the compensation standards of denitrification power price of coal-fired power generating enterprises.

The other products and engineering services provided by the Group to China Energy and its subsidiaries follow the principle of reasonable cost plus reasonable profit. The cost is determined by each of the subsidiaries, taking into account the project procurement costs, management fees, service fees for bid winning and other costs in the course of execution of the contract, and the quotation is determined by comprehensively considering the business type, profit target, recent quotation and contract status (i.e. historical price), recent market situation forecast and the situation of competitors (i.e. market price). The marketing department at the subsidiary of the Company conducts on a daily basis, especially before each bidding, market research and collect publicly available price information. If the price is found to be higher than the market price during the price comparison process, the price will be lowered appropriately taking into account the cost and necessary gross profit; if it is lower than the market price, appropriate upward price adjustment will be considered while maintaining certain price advantage. The gross profit margin of the Group varies by business segment and product line, generally ranging from 5% to 25%. For details, please refer to the section headed “Management Discussion and Analysis” set out in the 2020 Annual Report of the Company.

LETTER FROM THE BOARD

Application of specific products and services provided by China Energy and its subsidiaries to the Company:

The above general principle (2) is applicable to the water, electricity and steam prices for desulfurization and denitrification concession service provided by China Energy and its subsidiaries to the Group, which were determined in accordance with the requirements of pricing authorities of the local government or added diversion costs based on the government-prescribed price. Information on the price of water, electricity and steam in each region is published by their price bureau of Development and Reform Commission on their websites (i.e. <http://fgw.zhenjiang.gov.cn/>), and is updated from time to time based on actual demands. Subsidiaries of the Group located in respective regions will conduct relevant prices search and make comparison on an annual basis.

All other products and services provided by China Energy and its subsidiaries to the Group shall solely be selected through bidding process or non-bidding quotation, sole source procurement and other procurement processes, while comparisons and negotiation between historical or market prices shall be carried out to determine the price. Each subsidiary of the Group collect on a daily basis, especially before each bidding, publicly available price information on products or services procured, such as tender results of other large group projects in the past months or year (depending on the nature and time span of the relevant products or services), industry websites, etc.. If the quotation of the connected person is significantly higher than the market price, the connected person will be required to lower the quotation, or the Group will switch to the purchase from Independent Third Parties.

Payment terms : Payment and settlement shall be made in cash or other methods as may be agreed by the relevant parties, subject to the specific terms on timing and method of payment and settlement under the separate agreements. The relevant payment and settlement terms shall be no less favourable than market terms that both parties may obtain from Independent Third Parties.

Historical transaction amounts and historical annual caps

The table below sets out the corresponding historical annual caps under the 2018 Purchase and Sale Framework Agreement for the years ended/ending 31 December 2019, 2020 and 2021, and the actual transaction amounts for the two years ended 31 December 2020 and for the nine months ended 30 September 2021.

LETTER FROM THE BOARD

Historical annual caps:

	Historical annual caps for the year ended/ending		
	2019	2020	2021
	<i>(RMB billion)</i>		
Provision of products and services by the Company to China Energy and its subsidiaries	22.00	23.00	24.00
Provision of products and services by China Energy and its subsidiaries to the Company	0.80	0.80	0.85

Historical transaction amounts:

	Years ended 31 December		Nine months ended
	2019	2020	30 September 2021
	<i>(RMB billion)</i>		
Provision of products and services by the Company to China Energy and its subsidiaries	8.91	12.53	5.19
Provision of products and services by China Energy and its subsidiaries to the Company	0.31	0.52	0.54

The historical transaction amounts for the provision of products and services by the Company to China Energy and its subsidiaries for the two years ended 31 December 2020 and for the nine months ended 30 September 2021 were relatively low when compared to the historical annual caps since the historical annual caps were set in 2018 taking into account the prevailing circumstances then when China Energy and Guodian Group commenced their merger and restructuring in August 2018. The Company estimated that the merger and restructuring would bring significant benefits to the Company by providing it with broad internal and external market and new business growth points. Since the merger and restructuring is a process to be implemented in an orderly manner, the Company determined the historical annual caps based on a positive and optimistic estimate in order to reserve sufficient room for business cooperation in the future of the two. However, due to (i) the overall economy slowdown; (ii) the delayed progress of achieving the benefits expected to be generated from the merger and restructuring; and (iii) the outbreak of COVID-19 since early 2020 which greatly reduced the efficiency of the flow of people and logistics, resulting in the postponed commencement or delay in work progress of certain projects of the Group, as well as the slowdown of its new business development and failure to meet the revenue expectation, the actual amount of continuing connected transactions in relation to the provision of products and services by the Company to China Energy and its subsidiaries for the two years ended 31 December 2020 and for the nine months ended 30 September 2021, and the utilization rate of the historical annual caps turned out to be relatively low.

LETTER FROM THE BOARD

Due to the similar reasons as mentioned above, such as the delayed progress of achieving the benefits expected to be generated from the merger and restructuring of China Energy and Guodian Group, and the impact caused by the outbreak of COVID-19 since early 2020, the actual amount of continuing connected transactions in relation to the provision of products and services by China Energy and its subsidiaries to the Company for the two years ended 31 December 2020 and for the nine months ended 30 September 2021, and the utilization rate of the historical annual caps turned out be relatively low.

Proposed annual caps and basis of determination

The table below sets out the proposed annual caps for the products and services to be provided between the Group and China Energy and its subsidiaries for the three years ending 31 December 2022, 2023 and 2024.

	Years ending 31 December		
	2022	2023	2024
	<i>(RMB billion)</i>		
Provision of products and services by the Group to China Energy and its subsidiaries	8.3	9.2	10.0
Provision of products and services by China Energy and its subsidiaries	3.8	3.9	3.9

The proposed annual caps for products and services to be provided by the Group to China Energy and its subsidiaries (other than the Group) are determined by taking into account the following factors:

- (1) the contracts that the Group has signed with China Energy and its subsidiaries for the provision of products and services are being implemented, amounting to approximately RMB750 million in 2022;
- (2) the estimated demand for the products and services to be provided by the Group to China Energy and its subsidiaries from 2022 to 2024. The expected amount in 2022 is approximately RMB6.96 billion, of which it is expected that desulfurization and denitrification and other transformation business of environmental protection will be amounted to approximately RMB3.81 billion, plasma business will be amounted to approximately RMB430 million, water treatment business will be amounted to approximately RMB390 million, energy saving heating business will be amounted to approximately RMB1.21 billion, and other businesses, such as components of wind power generators, power plant control system, etc., will be amounted to RMB1.12 billion, respectively;
- (3) a buffer on the estimated demand for products and services to be provided by the Group amounting to approximately RMB590 million in 2022; and

LETTER FROM THE BOARD

- (4) the estimated annual business expansion of approximately 9%-11% from 2022 to 2024.

The proposed annual caps in respect of products and services to be provided by China Energy and its subsidiaries (other than the Group) to the Group are calculated after taking into account:

- (1) the contracts that the Group has signed with China Energy and its subsidiaries for the procurement of products and services are being implemented, amounting to approximately RMB660 million in 2022;
- (2) the future development of the Company's new energy business will maintain strong demand for products and services related to new energy provided by China Energy and its subsidiaries. The estimated demand for the products and services to be provided by China Energy and its subsidiaries will be amounted to RMB2.83 billion in 2022, of which new energy products and services will be amounted to RMB2.45 billion;
- (3) a buffer on the estimated demand of products and services provided by China Energy and its subsidiaries, amounting to RMB310 million in 2022; and
- (4) the procurement of products and services from China Energy and its subsidiaries will remain basically stable from 2022 to 2024.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE 2021 PURCHASE AND SALE FRAMEWORK AGREEMENT

China Energy and its subsidiaries have always been mutually major customers and suppliers with the Group, and maintain a mutually beneficial and interdependent relationship with the Group. The 2021 Purchase and Sale Framework Agreement would enable the Group to achieve greater synergies with China Energy and its subsidiaries.

From the perspective of China Energy, the features of energy and electricity industries in which they operate and the adoption of the strategy of green and low-carbon development has resulted in its constant demand for the products and services relating to environmental protection and energy conservation provided by the Company. The Company is well familiar with the management model, current condition and product demands of China Energy. It also maintains good and close cooperative relationship with its subsidiaries, and is able to provide them with technologically advanced and efficient products, engineering and services on environmental protection, energy conservation and new energy that better satisfy customers' needs. Compared with other suppliers, the Company has decisive advantages in technical support, after-sale service and quick emergency response in products and engineering. In addition, as a leader in relevant products and technologies in the industry, the Company is able to provide them with relatively more professional advisory opinion and decision-making support.

LETTER FROM THE BOARD

From the perspective of the Company, China Energy is able to provide massive internal and external markets for the businesses of the Company. In addition, China Energy are able to provide the Company with abundant production and operation data as well as support and guarantee to the research and development, demonstration, promotion and application of new technologies, new products and new business models of the Company.

The Directors (including the independent non-executive Directors but excluding Mr. Song Chang, Mr. Zhang Wenjian and Mr. Gu Yuchun, the non-executive Directors) confirm that the terms of the 2021 Purchase and Sale Framework Agreement (including the proposed annual caps) are entered into on normal commercial terms, and the terms are fair and reasonable. The transactions contemplated under the 2021 Purchase and Sale Framework Agreement are entered into in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

Mr. Song Chang, Mr. Zhang Wenjian and Mr. Gu Yuchun, the non-executive Directors who are connected with China Energy and/or its subsidiaries, have abstained from voting on the resolutions of the Board to approve the 2021 Purchase and Sale Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Save as disclosed above, none of the Directors has any material interests in the 2021 Purchase and Sale Framework Agreement and the proposed annual caps and hence no other Director has abstained from voting on such Board resolutions.

INTERNAL CONTROL POLICIES

To ensure that the considerations for the continuing connected transactions of the Group, including those under the 2021 Purchase and Sale Framework Agreement are on normal commercial terms and that the terms (in particular, pricing terms, having taken into account reasonable costs and reasonable profits in determining the appropriate price) thereunder are complied with, the Company has adopted the following supervision and internal control procedures:

- (1) The Group has formulated and strictly enforced the Connected Transaction Management Policy. According to the system, the department of securities and legal affairs of the Company is responsible for examining whether connected transaction agreements and continuing connected transaction agreements of the Company are in compliance with applicable laws and regulations, company policies, Listing Rules and the relevant framework agreement; the finance department is responsible for examining the fairness of the terms of each agreement and whether they are in compliance with the pricing policies of the relevant framework agreement; the internal control and auditing department is responsible for examining the risks of terms of connected transaction agreements and continuing connected transaction agreements. The above management is carried out through the contract management system, covering the entire process of review, signing and fulfillment of connected transaction agreements.

LETTER FROM THE BOARD

- (2) The Company has confirmed the cap in strict accordance with the above system and continued to pay attention to the use of the cap: the marketing department, material procurement department and finance department of the Company cooperate to be responsible for statistics and analysis of the cap; the department of securities and legal affairs regularly monitors and reviews the implementation of connected transactions (including but not limited to the implementation of pricing policies and transaction scale, etc.); the internal control and auditing department regularly organizes internal control tests to check the integrity and effectiveness of internal control measures related to connected transactions.
- (3) In compliance with the Listing Rules, the Board of the Company, in particular, the Company's independent non-executive Directors have reviewed and shall continue to review the Company's connected transaction agreements or continuing connected transaction agreements annually to confirm that they are on normal commercial terms and in accordance with relevant framework agreements. The audit committee annually reviews the annual financial report, annual report, interim financial report and interim report containing the implementation of continuing connected transactions, and expresses opinions on connected transactions during the reporting period. The auditors of the Company also conduct annual review on continuing connected transactions of the Group to confirm that the transactions are carried out in accordance with the pricing policies of the relevant framework agreements.
- (4) In terms of sales pricing, the marketing department at the subsidiary level of the Company continues on a daily basis, especially before each bidding, it will conduct market research and collect relevant information, such as the quotation of bidding projects in the past month or year (depending on the nature and time span of the relevant products or services), the publicity information on large enterprise bidding websites (such as the bidding platform of China Resources Group (<http://szecp.crc.com.cn/>)) and industry websites (such as the Beijixing Power website* (<https://m.bjx.com.cn/>) and similar websites), obtain the information such as project bid opening and bid winning price, analyze the market quotation trend and influencing factors of products/services, formulate product/service quotation, and ensure that the bidding price conforms to the current market price level and is competitive. Participating in the bidding activities held by related parties, the Company also follows the same price comparison measures and will compare the historical prices of similar bids in the past month or year (depending on the nature and time span of the products or services involved in the project), so as to ensure that the bid price proposed by the Company is not better than the price offered by the Company to Independent Third Parties.
- (5) In terms of procurement pricing, the procurement department at the subsidiary level of the Company also pays attention to continuous collection of publicly available price information of purchased products or services, such as the bidding results of other large-scale group projects of the previous month or year (depending on the nature and time span of the relevant products or services), industry websites (i.e. the channels of the Group for collecting steel prices, including "My Steel Network" (<http://www.mysteel.com/>)) and etc.. In addition, in the procurement activities, the Group strictly

LETTER FROM THE BOARD

implements the Law of the PRC on Tendering and Bidding and other relevant national regulations and the relevant requirements of China Energy and the Group, utilises the unified bidding and price quotation platform of China Energy, and obtains the final procurement results after the procurement management committee's consideration of the preliminary review results arrived at by the bid evaluation committee and the review group members.

INFORMATION ON THE GROUP

The Group

The Group is primarily engaged in the provision of integrated clean technology solutions and services within the PRC with established market leading or dominant positions in the environmental protection and energy conservation solution industries in the PRC.

China Energy

As a state-owned enterprise established in accordance with the laws of the PRC, China Energy is the controlling shareholder of the Company, and operates eight business segments including coal, thermal power, new energy, hydropower, transportation, chemicals, environmental technology and finance through its subsidiaries. It is the world's largest producer of coal, thermal power, wind power, as well as coal-to-liquids and coal chemical products.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, China Energy is the controlling shareholder of the Company, who directly held 2,377,500,000 Domestic Shares, accounting for 39.21% of the total issued share capital of the Company, and through its subsidiary, Guodian Power, held 2,376,500,000 Domestic Shares, accounting for 39.19% of the total issued share capital of the Company. Therefore, China Energy directly or indirectly held 4,754,000,000 Domestic Shares, accounting for approximately 78.40% of the total issued share capital of the Company and is a connected person of the Company. The transactions contemplated under the 2021 Purchase and Sale Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the 2021 Purchase and Sale Framework Agreement and the proposed annual caps contemplated thereunder exceed 5%, the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. The EGM will be convened and held to seek the approval of the Independent Shareholders on the entering into of the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps.

LETTER FROM THE BOARD

As at the Latest Practicable Date, China Energy directly held 2,377,500,000 Domestic Shares of the Company, accounting for 39.21% of the total issued share capital of the Company, and through its subsidiary, Guodian Power, held 2,376,500,000 Domestic Shares of the Company, accounting for 39.19% of the total issued share capital of the Company. Therefore, China Energy directly or indirectly held 4,754,000,000 Domestic Shares of the Company, accounting for approximately 78.40% of the total issued share capital of the Company, and is the controlling shareholder of the Company. In accordance with the Listing Rules, China Energy and its subsidiary, Guodian Power, have a material interest in the 2021 Purchase and Sale Framework Agreement. Therefore, China Energy and Guodian Power shall abstain from voting at the EGM on the resolution(s) to approve the entering into of the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, and the proposed annual caps. As at the Latest Practicable Date, each of China Energy and Guodian Power controlled over the voting right in respect of its shareholding in the Company.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the fairness and reasonableness of the proposed annual caps, taking into account the recommendations concerning the same provided by Gram Capital, the Independent Financial Adviser appointed by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENT FINANCIAL ADVISER

Gram Capital has been appointed as the Independent Financial Adviser by the Company to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps. The letter from Gram Capital is set out in this circular.

PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Mr. Jiang Jianwu (江建武先生) (“**Mr. Jiang**”) has been nominated as a non-executive Director of the Company. The term of Mr. Jiang as a non-executive Director will commence on the date of approval by the Shareholders until the expiry of the tenure of the fourth session of the Board. Subject to the approval by the Shareholders at the EGM, Mr. Jiang will also be nominated as a member of the nomination committee of the Board.

LETTER FROM THE BOARD

The biographical details of Mr. Jiang are set out below:

Mr. Jiang Jianwu, aged 55, proposed to serve as a non-executive Director of the Company and a member of the nomination committee of the Board. Mr. Jiang currently serves as the director of the safety and environmental supervision department of China Energy. Mr. Jiang successively served as an assistant engineer and engineer of the mining construction department of Shenhua Group Corporation Limited (“**Shenhua Group**”), cadre of safety, quality and environmental protection center, deputy director and director of the environmental protection department of Shenhua Group (during the period, Mr. Jiang was sent to prefectural party committee in Nagqu, Tibet and Nierong county as assistant secretary general and deputy secretary for two years), deputy manager of the infrastructure coordination department of Shenhua Group, deputy general manager of China Shenhua Coal Liquefaction Company Limited, deputy secretary of the party committee, deputy general manager, secretary to the disciplinary committee, and chairman of the labor union of Shenhua Baotou Coal Chemical Company, deputy general manager and general manager of the environmental protection department of Shenhua Group, supervisor and deputy secretary of the audit center of China Energy. Mr. Jiang graduated from China University of Mining and Technology with a major in beneficiation engineering, and obtained a master’s degree. Mr. Jiang is a senior engineer.

Save as disclosed herein, as of the Latest Practicable Date, Mr. Jiang (i) had not held any other directorships in any listed public companies, in Hong Kong or overseas, in the last three years or held other positions within the Company and its subsidiaries; (ii) had no relationship with any Directors, supervisor, senior management, substantial shareholders or controlling shareholders (as defined under the Listing Rules) of the Company; and (iii) had no interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Jiang will enter into a letter of appointment with the Company after his official appointment. The annual remuneration of Mr. Jiang will be determined by the remuneration and appraisal committee of the Board authorized by Shareholders with reference to, among other things, its terms of reference and the duties and responsibilities of Mr. Jiang.

Save as disclosed above, as of the Latest Practicable Date, to the best knowledge of the Board, there were no other matters in relation to the appointment of Mr. Jiang as non-executive Director that need to be brought to the attention of the Shareholders nor was there any information that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

EGM

The EGM will be convened by the Company at the Conference Room, 12th Floor, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the PRC on Tuesday, 28 December 2021 at 10:30 a.m., at which resolution will be proposed to consider and, if thought fit, approve (1) the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps; and (2) the proposed appointment of non-executive Director. Notice convening the EGM has been despatched to the Shareholders on the date of this circular, a copy of which is set out on pages EGM-1 to EGM-3 of this circular.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 December 2021 to Tuesday, 28 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the EGM, all transfers, together with relevant share certificates, must be lodged with the H Share registrar of the Company, namely Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the head office of the Company (for holders of Domestic Shares) at Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the PRC no later than 4:30 p.m. on Thursday, 23 December 2021.

REPLY SLIP AND PROXY FORM

If you are eligible and intend to attend the EGM, please complete and return the reply slip dated 10 December 2021 in accordance with the instructions printed thereon as soon as possible and in any event not later than 7 days before the date appointed for holding such meeting or any adjournment thereof. Shareholders who intend to appoint a proxy to attend the EGM is required to complete and return the proxy form, in accordance with the instructions printed thereon as soon as possible and in any event no later than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you wish.

LETTER FROM THE BOARD

VOTING BY POLL AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes for the resolutions to be proposed at the general meetings must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will therefore demand a poll for every such resolution put to the vote at the EGM. On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share of the Company registered in his or her name in the register of Shareholders. A Shareholder entitled to more than one vote need not use all his or her votes or cast all the votes he or she uses in the same way.

RECOMMENDATION

The Board considers that the resolution set out in the notice of the EGM for the Shareholders' consideration and approval are in the best interests of the Company and its Shareholders. As such, the Board recommends the Shareholders to vote in favour of the resolution set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 19 of this circular, and the letter from Gram Capital to the Independent Board Committee and Independent Shareholders in respect of the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps set out on pages 20 to 40 of this circular.

By Order of the Board

Guodian Technology & Environment Group Corporation Limited*

Mr. CHEN Dongqing

Chairman



國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

10 December 2021

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO OF THE FRAMEWORK AGREEMENT FOR
PURCHASE AND SALE OF COMPREHENSIVE PRODUCTS
AND SERVICES FOR 2022 TO 2024**

Reference is made to the circular of the Company to the Shareholders dated 10 December 2021 (the “Circular”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the sections headed “Definitions” of the Circular unless the context requires otherwise. We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps are (i) conducted in the ordinary and usual course of business of the Company; (ii) conducted on normal commercial terms or better; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps. We wish to draw your attention to the “Letter from Gram Capital” as set out on pages 20 to 40 the Circular and the section headed “Letter from the Board” as set out on pages 1 to 17 of the Circular.

Having considered the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps and the opinion of Gram Capital as stated in its letter of advice, we consider that the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps are (i) conducted in the ordinary and usual course of business of the Company; (ii) conducted on normal commercial terms or better; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

in favor of the ordinary resolution to approve, among others, the 2021 Purchase and Sale Framework Agreement and the transactions contemplated thereunder, as well as the proposed annual caps to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Mr. Shen Xiaoliu
*Independent non-
executive Director*

Mr. Qu Jiuhui
*Independent non-
executive Director*

Mr. Xie Qiuye
*Independent non-
executive Director*

Mr. Yeung Chi Tat
*Independent non-
executive Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

10 December 2021

*To: The independent board committee and the independent shareholders
of Guodian Technology & Environment Group Corporation Limited**

Dear Sirs,

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 transactions contemplated under the 2021 Purchase and Sale Framework Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 December 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 5 November 2021, the Company entered into the 2021 Purchase and Sale Framework Agreement with China Energy for a term commencing from 1 January 2022 to 31 December 2024 and setting the annual caps thereof.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Shen Xiaoliu, Mr. Qu Jiuhui, Mr. Xie Qiuye and Mr. Yeung Chi Tat (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the Transactions are entered into in the ordinary and usual course of business of the Group and on normal commercial terms; (ii) whether the terms of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in respect of (i) the major and continuing connected transactions of the Company as set out in the Company's circular dated 23 October 2020; (ii) the very substantial disposal and connected transactions of the Company as set out in the Company's circular dated 30 June 2021; and (iii) the continuing connected transactions of the Company as set out in the Company's circular dated 30 September 2021.

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

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

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, China Energy, their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Transactions

Information on the Group

With reference to the Board Letter, the Group is primarily engaged in the provision of integrated clean technology solutions and services within the PRC with established market leading or dominant positions in the environmental protection and energy conservation solution industries in the PRC.

Information on China Energy

With reference to the Board Letter, China Energy is the controlling shareholder of the Company, and operates eight business segments including coal, thermal power, new energy, hydropower, transportation, chemicals, environmental technology and finance through its subsidiaries. It is the world's largest producer of coal, thermal power, wind power, as well as coal-to-liquids and coal chemical products.

Reasons for and benefits of the Transactions

With reference to the Board Letter, China Energy and its subsidiaries have always been mutually major customers and suppliers with the Group, and maintain a mutual beneficial and interdependent relationship with the Group. The 2021 Purchase and Sale Framework Agreement would enable the Group to achieve greater synergies with China Energy and its subsidiaries.

LETTER FROM GRAM CAPITAL

From the perspective of China Energy, the features of energy and electricity industries in which they operate and the adoption of the strategy of green and low-carbon development has resulted in its constant demand for the products and services relating to environmental protection and energy conservation provided by the Company. The Company is well familiar with the management model, current condition and product demands of China Energy. It also maintains good and close cooperative relationship with its subsidiaries, and is able to provide them with technologically advanced and efficient products, engineering and services on environmental protection, energy conservation and new energy that better satisfy customers' needs. Compared with other suppliers, the Company has decisive advantages in technical support, after-sale service and quick emergency response in products and engineering. In addition, as a leader in relevant products and technologies in the industry, the Company is able to provide them with relatively more professional advisory opinion and decision-making support.

From the perspective of the Company, China Energy is able to provide massive internal and external markets for the businesses of the Company. In addition, China Energy are able to provide the Company with abundant production and operation data as well as support and guarantee to the research and development, demonstration, promotion and application of new technologies, new products and new business models of the Company.

As confirmed by the Directors, as the Transactions are conducted in the ordinary and usual course of business of the Group and on a frequent basis, it would be (i) costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary; and (ii) impracticable to seek Independent Shareholders' approval upon confirmation of members of China Energy's or the Group's successful bidding for product or service to be provided regarding contract value over certain thresholds under the Transactions which are selected through bidding process with the specific timetable. Accordingly, the Directors are of the view that the Transactions will be beneficial to the Company and the Shareholders as a whole.

In view of the above factors, we concur with the Directors that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

(1) Principal terms of the Transactions

The following table tabulates a summary of the major terms of the Transactions as extracted from the Board Letter, details of which are set out under the section headed “THE 2021 PURCHASE AND SALE FRAMEWORK AGREEMENT” of the Board Letter:

Date	5 November 2021
Parties	(1) The Company; and (2) China Energy
Term	The term of the 2021 Purchase and Sale Framework Agreement is from 1 January 2022 to 31 December 2024.
Subject of the transaction	<p>Products and services to be provided by the Group to China Energy and its subsidiaries mainly include (the “Sale Transactions”):</p> <ul style="list-style-type: none">(i) Products: environmental protection equipment (including ash removal, water treatment, denitrification catalyst, etc.), energy conservation equipment (including plasma ignition, etc.), wind power pitch control system, converters and power station DCS control system (hereinafter collectively referred to as the “Products”); and(ii) Engineering services: environmental protection services (including desulfurization and denitrification concession operation, desulfurization and denitrification Engineering Procurement Construction (“EPC”), integrated energy services, water treatment and water operation, etc.), energy conservation services (including steam turbine flow passage transformation, heat supply transformation, heat supply operation and maintenance and contractual energy management, etc.), intelligent station construction and commissioned management and operation, etc. (hereinafter collectively referred to as the “Services”).

LETTER FROM GRAM CAPITAL

Products and services to be provided by China Energy and its subsidiaries to the Group mainly include water, electricity, steam, wind turbine generators and their operation and maintenance services, new energy power station construction EPC and technical consulting services (the “**Purchase Transactions**”).

Pricing policy

According to the general pricing policy of the Company on continuing connected transactions, the pricing of the products and services in relation to the 2021 Purchase and Sale Framework Agreement shall be determined in accordance with the following general principles and sequence, but the pricing of products or services provided by the Group to China Energy and its subsidiaries shall not be lower than the pricing of the same products or services provided to Independent Third Parties, and the pricing of products or services purchased by the Group from China Energy and its subsidiaries shall not be higher than the pricing for the same products or service purchased from Independent Third Parties:

- (i) where there is a government-prescribed price, the government-prescribed price;
- (ii) where there is no government-prescribed price but there is a government guidance price, the government-guidance price;
- (iii) where there is neither government-prescribed price nor government-guidance price, the historical transaction price or prevailing market price; or
- (iv) where none of the aforesaid is available, the principle of reasonable cost plus reasonable profit shall be adopted in determining the appropriate price.

LETTER FROM GRAM CAPITAL

The Group follows the above general pricing policies for both sales and purchases, specifically: except for products/services applicable to government-prescribed price/guidance price, the principle of reasonable cost plus reasonable profit will be normally considered for sales pricing, historical price/market price and its own cost will be also comprehensively considered, and the sales are required to be determined through the bidding process or non-bidding quotation organized by the purchaser, sole-source procurement and other procurement processes, which enable the Company to win the bid with competitive advantages in services and technology. Suppliers shall solely be selected through holding bidding process or non-bidding quotation, sole-source procurement and other procurement processes, while comparisons and negotiation between historical or market prices shall be carried out to determine the price.

Details of the pricing policies for products/services under the Sale Transactions and Purchase Transactions are set out under the Board Letter. For the avoidance of doubt, the Group applies the same pricing policies regardless of whether the counterparty in a transaction is a connected person or an independent third party. Therefore, we consider the pricing policy to be fair and reasonable.

With reference to the Board Letter, to ensure that the considerations for the continuing connected transactions of the Group are on normal commercial terms and that relevant terms (in particular, pricing terms, having taken into account reasonable costs and reasonable profits in determining the appropriate price) thereunder are complied with, the Company has adopted the supervision and internal control procedures, details of which are set out under the section headed “INTERNAL CONTROL POLICIES” of the Board Letter. Having considered that (i) various departments will be jointly responsible for evaluating terms (in particular the fairness of the pricing terms), including the finance department being responsible for reviewing the pricing strategies, rules and procedures, and regularly monitoring and reviewing the connected transactions (including but not limited to the implementation of pricing policies and transaction amounts, etc.); (ii) in respect of the Sale Transactions, prior to submission of each tender, there will be price research, analyses and evaluation procedures to ensure the tender price of the Group being in line with the prevailing market price and competitive; and (iii) in respect of the Purchase Transactions, the procurement department at the subsidiary level of the Company pays attention to continuous collection of publicly available price information of purchased products or services, we are of the view that the effective implementation of the supervision and internal control procedures will ensure the fair pricing of the Transactions.

LETTER FROM GRAM CAPITAL

To assess the effectiveness of the internal control procedures, we conducted following works:

With reference to Rule 14A.56 of the Listing Rules, among other things, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group. We obtained the letter from the Company's auditors, showing their confirmation that, among other things, nothing has come to their attention that causes them to believe that the Sales Transaction was not, in all material respects, in accordance with the pricing policies of Group.

We further discussed with a staff of Company's securities and legal affairs department, a staff of Company's finance department and a staff of the Company's internal control and auditing department, who will be involved in the Transactions and understood that the aforesaid staffs were aware of the internal control measures and would comply with the internal control measures when conducting transactions contemplated under the Transactions.

Upon our request, the Company randomly provided us the following documents:

Sale Transactions:

- two copies of invoices showing the fee for Group's provision of desulfurization and denitrification concession operation with government-prescribed price document, we noted that the fee charged by the Group to connected persons is in line with the government- prescribed price; and
- two copies of contracts showing the Group's sale of wind power equipment to (a) a member of China Energy; and (b) an independent third party, we noted that the unit cost of wind power equipment (RMB per kW) charged by the Group to the member of China Energy was higher than that charged by the Group to the independent third party.

Purchase Transactions:

- two copies of invoices showing the fee payable by the Group for utilities, we noted that the fee payable by the Group to connected persons is lower than the government-guidance price; and

LETTER FROM GRAM CAPITAL

- one copy of the Group's provision of EPC services with payment of bidding services fees (Note: should the Group win the bid in the selection of services providers/products suppliers for the Sale Transactions through bidding process, the Group would pay for services fees to bidding agencies because the bidding agencies provided bidding services to the Group). We noted that the services fees were in line with fee charged by relevant agency (which charged standard fees to all members of China Energy).

Having considered (i) the auditors' confirmation as mentioned above; (ii) our discussion with the Company's staff in respect of the internal control procedures as mentioned above; and (iii) our review results of the documents for the Transactions as mentioned above, we do not doubt the effectiveness of the above mentioned measures.

(2) Basis of the proposed annual caps

I. The Sale Caps

The table below sets out (i) the actual transaction amounts of the transactions in relation to the provision of products and services by the Group to China Energy and its subsidiaries for the two years ended 31 December 2020 and for the nine months ended 30 September 2021; and (ii) proposed annual caps for the Sale Transactions for the three years ending 31 December 2024.:

	For the year ended 31 December 2019 ("FY2019") RMB' billion	For the year ended 31 December 2020 ("FY2020") RMB' billion	For the year ending 31 December 2021 ("FY2021") RMB' billion
Provision of products and services by the Group to China Energy and its subsidiaries	8.91	12.53	5.19 <i>(Note)</i>
Existing annual caps	22	23	24
Utilization rates	41%	54%	N/A

LETTER FROM GRAM CAPITAL

	For the year ending 31 December 2022 ("FY2022") RMB' billion	For the year ending 31 December 2023 ("FY2023") RMB' billion	For the year ending 31 December 2024 ("FY2024") RMB' billion
Proposed annual caps (the "Sale Cap(s)")	8.3	9.2	10.0

Note: the figure was for nine months ended 30 September 2021.

With reference to the Board Letter, the Sale Caps for the three years ending 31 December 2024 were calculated after taking into account of various factors, details of Proposed annual caps and basis of determination are set out under the section headed "Proposed annual caps and basis of determination" of the Board Letter.

We noted that the utilisation rates of the existing annual caps for FY2019 and FY2020 were not at high levels. The Directors downward adjusted the Sales Caps for the three years ending 31 December 2024. Upon our request, the Directors provided us a calculation of the Sale Caps for the three years ending 31 December 2024. We noted that the Sale Caps for the three years ending 31 December 2024 was calculated based on (i) the estimated amounts of the Sale Transactions for the three years ending 31 December 2024; and (ii) buffers of approximately 7% to 8% on the aforesaid estimated amounts.

To assess the fairness and reasonableness of the estimated amounts of the Sale Transactions for the three years ending 31 December 2024, we conducted the following analyses:

- We noted that the PRC government issued various policies which are in favour of environment protection industry, including:

On 4 January 2021, the National Development and Reform Commission, Ministry of Industry and Information Technology of the People's Republic of China, the Ministry of Finance of the People's Republic of China and 10 other departments jointly issued the Guiding Opinions on Promoting the Utilization of Sewage Resources ("Guiding Opinions I"). The Guiding Opinions I clearly states that by 2025, the national sewage collection efficiency will be significantly improved, the sewage treatment capacity of county towns and cities will basically meet the needs of local economic and social development, and the sewage treatment in water environment sensitive areas will be basically upgraded; the utilization rate of reclaimed water in prefecture level and above water-deficient cities in China will be over 25%, and

LETTER FROM GRAM CAPITAL

that of Beijing-Tianjin-Hebei region will be over 35%; the reuse of industrial water and utilization level of livestock and poultry manure and fishery tail water will be significantly improved; the policy system and market mechanism of sewage resource utilization will be basically established. By 2035, a systematic, safe, environmentally friendly and economical pattern of sewage resource utilization will be formed. The issuance of Guiding Opinions I clearly states the policy direction of sewage treatment in China's environmental protection industry, and the reclaimed water treatment business of the Group's environmental protection industry will continue to maintain a good development trend.

On 22 February 2021, the State Council issued the Guiding Opinions on Accelerating the Establishment and Perfection of a Green and Low-carbon Circular Development Economic System ("**Guiding Opinions II**"). The Guiding Opinions II clearly states that by 2025, the industrial structure, energy structure and transportation structure will be significantly optimized, the proportion of green industries will be increased significantly, the greening level of infrastructure will be continuously improved, the level of cleaner production will be continuously improved, the green transformation of production and lifestyle will have remarkable results, the allocation of energy resources will be more rational and the utilization efficiency will be greatly improved, the total emission of major pollutants will be continuously reduced, the carbon emission intensity will be significantly reduced, the ecological environment will be continuously improved, the market-oriented green technology innovation system will be improved, the laws, regulations and policies will be more effective, and the production system, circulation system and consumption system of green and low-carbon circular development will be initially formed. By 2035, the endogenous driving force of green development will be significantly enhanced, the scale of green industry will reach a new level, the utilization efficiency of energy resources in key industries and key products will reach the international advanced level, and a green production lifestyle will be widely formed. After peaking, carbon emissions will decline steadily, the ecological environment will be fundamentally improved, and the goal of building a beautiful China will be basically achieved. The enactment of the Guiding Opinions II will bring opportunities for the sustainable and healthy development of the Group's environmental protection and energy-saving solutions business and wind/photovoltaic power plants business.

LETTER FROM GRAM CAPITAL

The Ministry of Ecology and Environment issued the Guiding Opinions on Enhanced Control of Ecological and Environmental Pollution Sources for Energy- and Emission-intensive Construction Projects on 30 May 2021 (“**Guiding Opinions III**”). The Guiding Opinions III states that the ecological environment departments at all levels should strengthen the prevention and control of the ecological environment of the high pollution and high energy-consuming projects from the source. The main tasks are to strengthen the zoning management and control and planning constraints of ecological environment, to strictly implement the review and approval of environmental impact assessment of the high pollution and high energy-consuming projects, and to promote the coordinated control of pollution and carbon reduction in the high pollution and high energy-consuming industries. Particularly, the high pollution and high energy-consuming industries include coal power, petrochemical, chemical, iron & steel, nonferrous metal smelting, and building materials industries. The Guiding Opinions III calls for improving the level of cleaner production and pollution prevention and control. The newly built and expanded high pollution and high energy-consuming projects should adopt advanced and applicable technologies and equipment; material consumption, energy consumption, and water consumption per unit product should reach the advanced level of cleaner production; measures to prevent and control soil and groundwater pollution should be formulated and strictly implemented in accordance with laws and regulations. If the national or local requirements for ultra-low emissions have been issued, the construction projects in the high pollution and high energy-consuming industries should meet such requirements. The Guiding Opinions III sets requirements of ultra-low emissions for the high pollution and high energy-consuming industries, which is expected to bring benefits for the environmental protection and energy-saving business of the Group.

In light of the above favourable policies on environment protection industry, the Directors considers it may lead to an increase in amounts of products and services provided by the Group.

LETTER FROM GRAM CAPITAL

- We noted that the Company entered into an equity transfer and capital injection agreement with China Energy, China Longyuan Power Group Corporation Limited (“**Longyuan Power**”) and Guodian United Power Technology Co., Ltd. (“**United Power**”) on 16 June 2021, pursuant to which the Company’s equity interest in United Power will be diluted from 70% to 30%. Upon the completion, United Power will become an associate of the Company from the subsidiary of the Company. Accordingly, the provision of products and services by United Power and its subsidiaries to China Energy and its subsidiaries will not be accounted for the Sale Transactions.

Upon our request, the Company provided us adjusted historical transactions amounts of the Sale Transactions (amounts in respect of provision of products and services by United Power and its subsidiaries to China Energy and its subsidiaries were exclusive) for FY2019, FY2020 and for the nine months ended 30 September 2021. The average change from FY2019 to FY2021 (based on annualized adjusted historical transactions amounts of the Sale Transactions for the nine months ended 30 September 2021) amounted to an increase of approximately 20%.

The estimated amounts of the Sale Transactions for FY2022 were in line with (with difference of less than 1%) the implied amounts of the Sale Transactions for FY2022 (calculated by based on the annualized adjusted historical transactions amounts of the Sale Transactions for the nine months ended 30 September 2021 and the above-mentioned average change of 20%).

Accordingly, we consider the estimated amounts of the Sale Transactions for FY2022 to be justifiable.

- In addition, we also noted from the calculation that the estimated amounts of the Sale Transactions (i) for FY2023 represented an increase of approximately 11% as compared to that for FY2022; and (ii) for FY2024 represented an increase of approximately 9% as compared to that for FY2023. Having considered the abovementioned average change from FY2019 to FY2021 of approximately 20%, we consider the aforesaid increases to be acceptable. Accordingly, we consider the estimated amounts of the Sale Transactions for FY2023 and FY2024 to be justifiable.

LETTER FROM GRAM CAPITAL

Furthermore, we noted that the Company has applied buffers of approximately 7% to 8% as an assumption for the determination of the Sale Caps for each of the three years ending 31 December 2024. Having considered that (I) the additional buffer was applied for unforeseeable circumstances, for instance, (a) the unpredictable increase in actual demand on the sale products & services for each of the three years ending 31 December 2024; and (b) the unexpected increase material cost of the sale products & services for each of the three years ending 31 December 2024; and (II) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among companies listed on the Stock Exchange and the buffers of approximately 7% to 8% were close to the commonly adopted buffer of 10%, we consider that the buffers to be acceptable.

Having considered the above, we are of the view that the Sale Caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the Sale Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/costs or sales/purchases to be recorded from / related to the Sale Transactions. Consequently, we express no opinion as to how closely the actual revenue/costs or sales/purchases to be recorded from /related to the Sale Transactions will correspond with the Sale Caps.

II. The Purchase Caps

The table below sets out (i) the actual transaction amounts of the transactions in relation to the provision of products and services to the Group by China Energy and its subsidiaries for the two years ended 31 December 2020 and for the nine months ended 30 September 2021 with existing annual caps; and (ii) proposed annual caps for the Purchase Transactions for the three years ending 31 December 2024:

	For the year ended 31 December 2019 <i>RMB'billion</i>	For the year ended 31 December 2020 <i>RMB'billion</i>	For the year ending 31 December 2021 <i>RMB'billion</i>
The Purchase Transactions	2019	2020	2021
Provision of products and services to the Group by China Energy and its subsidiaries	0.31	0.52	0.54(Note)
Existing annual caps	0.8	0.8	0.85
Utilization rates	39%	65%	N/A

LETTER FROM GRAM CAPITAL

	For the year ending 31 December 2022 RMB' billion	For the year ending 31 December 2023 RMB' billion	For the year ending 31 December 2024 RMB' billion
--	---	---	---

Proposed annual cap (the “Purchase Cap(s)”)	3.8	3.9	3.9
--	-----	-----	-----

Note: the figure was for nine months ended 30 September 2021.

With reference to the Board Letter, the Purchase Caps for the three years ending 31 December 2024 were calculated after taking into account of various factors, details of which are set out in the section headed “Proposed annual caps and basis of determination” of the Board Letter.

We noted that the utilisation rates of the existing annual caps for the two years ended 31 December 2020 were not at high levels. However, the Group set the Purchase Caps for the three years ending 31 December 2024 with substantial increase as compared to the historical amounts of the Purchase Transactions for FY2019, FY2020 and annualized amounts for FY2021 (based on the historical amounts for the nine months ended 30 September 2021).

Upon our request, the Directors provided us a calculation of the Purchase Caps for the three years ending 31 December 2024. According to the calculation, the Purchase Caps for the three years ending 31 December 2024 was calculated based on (i) estimated amounts of the Purchase Transactions for the three years ending 31 December 2024; and (ii) buffers of approximately 9% on the aforesaid estimated amounts.

To assess the fairness and reasonableness of the estimated amounts of the Purchase Transactions for FY2022, we conducted the following analyses:

- We understood from the Directors that the purchase estimation of purchase products & services from China Energy and its subsidiaries was determined based on previously signed contracts, which transactions contemplated thereunder were still in execution. The Directors expected to recognize an amount of approximately RMB659 million for FY2022 under the previously signed contracts. Upon our request, we obtained detailed breakdown of aforesaid signed contracts, including the projects nature, parties involved in the projects, estimated amount to be recognized in FY2022, FY2023 and FY2024.

LETTER FROM GRAM CAPITAL

- Based on the calculation, estimated amounts of Purchase Transactions for FY2022 (without signed contracts) amounted to approximately RMB2,825 million, which mainly included the proposed purchase of the new energy products and services. We noted from the calculation that among estimated amounts of the Purchase Transactions of approximately RMB2,825 million, approximately RMB2,450 million for FY2022 was determined based on certain wind power and photovoltaic projects with total installed capacity of 1,200,000kW (i.e. wind power installed capacity of 800,000kW and photovoltaic power installed capacity of 400,000kW) for next three years (i.e. FY2022 to FY2024) with average cost of per installed capacity (wind power) of approximately RMB6,900 per kW and average cost of per installed capacity (photovoltaic power) of approximately RMB4,000 per kW.

We noted that on 11 May 2021, National Energy Administration issued the Notice on Matters Related to the Development and Construction of Wind and Photovoltaic Power Generation in 2021 (“**Notice**”). The Notice makes general requirements that the objectives of peak carbon dioxide emissions and carbon neutrality need to be achieved, and that non-fossil energy need to account for about 25% of primary energy consumption, and the total installed capacity of wind power and solar power need to reach over 1.2 billion kW by 2030. In 2021, the generating capacities of wind and photovoltaic power generation throughout China should account for about 11% of the total electricity consumption of the society. This ratio should also increase year by year to ensure that non-fossil energy consumption accounts for about 20% of the total primary energy consumption in 2025. The Notice calls for establishing diversified guarantee mechanisms for grid connection. For new grid-connected projects required to complete the annual minimum non-hydropower utilization responsibility at the provincial (district, municipal) levels, guaranteed grid connection is provided by power grid enterprises, in order to ensure the guaranteed grid-connected scale is not lower than 90 million KW in 2021. The issuance of the Notice marks a new stage for the development of wind and photovoltaic power generation, and also brings new opportunities for the construction and operation of wind and photovoltaic power plants of the Group.

LETTER FROM GRAM CAPITAL

Upon our further request, the Directors provided us various copies of agreements entered into between the Group and government of different cities/counties of the PRC. We noted from the aforesaid agreements that the Group proposed to develop wind power plants with total installed capacity over 800,000kW and photovoltaic power plants with total installed capacity over 400,000kW in different cities/counties of the PRC. Accordingly, we are of the view that the assumption of total installed capacity of 1,200,000kW (i.e. wind power installed capacity of 800,000kW and photovoltaic power installed capacity of 400,000kW) from FY2022 to FY2024 to be justifiable.

To assess the reasonableness of the estimated cost of per installed capacity:

- We obtained an engineering procurement and construction (EPC) contract entered into between the Company's subsidiaries in June 2021 (being the EPC contract (entered into by the Group relating the development of wind power plant with single largest contract value during 2021 (before the date of Purchase and Sale Framework Agreement)), pursuant to which EPC services for wind power plants will be provided to the service receiver with contract value of approximately RMB640 million and with the installed capacity of 100MW. The indicated average cost of per installed capacity (wind power) amounted to approximately RMB6,400 per kW. The estimated average cost of per installed capacity (wind power) of RMB6,900 per kW is close to the aforesaid indicated average cost. As advised by the Directors, the difference in aforesaid costs was mainly due to the location of the wind power plants and the difficulties for the development of such plants.
- We searched over the website of the Stock Exchange to identify EPC contract as entered by the listed issuer group for the development of photovoltaic power plant with announcement published in the recent four months prior to the date of the 2021 Purchase and Sale Framework Agreement. To the best of our knowledge, we identified two transactions, which are exhaustive as far as we are aware of. According to the two transactions, (i) China Energy Engineering Corporation Limited (stock code: 3996) announced on 13 July 2021 that its subsidiary entered into an EPC contract for a 360MW photovoltaic power station project with contracted amount of US\$244 million (the implied cost per installed capacity (photovoltaic power) amounted to approximately RMB4,337 per kW); and (ii) Beijing Energy International Holding Co., Ltd. (stock code:

LETTER FROM GRAM CAPITAL

686) announced on 3 September 2021 that its subsidiary entered into EPC contracts for 112MW agricultural photovoltaic power project with aggregate consideration of approximately RMB436.36 million (the implied cost per installed capacity (photovoltaic power) amounted to approximately RMB3,896 per kW). The estimated cost per installed capacity (photovoltaic power) is in line with the aforesaid implied cost per installed capacity (photovoltaic power).

Based on the abovementioned installed capacity and cost per installed capacity, we are of the view that estimated amounts of the Purchase Transactions of approximately RMB2,450 million for FY2022 related to wind power and photovoltaic projects to be justifiable.

As the summation of (i) the estimation of purchase products & services from China Energy and its subsidiaries for FY2022 based on previously signed contracts; and (ii) the estimated amounts of the Purchase Transactions for FY2022 related to wind power and photovoltaic projects accounted for approximately 89% to the estimated amounts of the Purchase Transactions for FY2022, we are of the view that the estimated amounts of the Purchase Transactions for FY2022 to be justifiable.

We further enquired the Directors in respect of the estimated amounts of the Purchase Transactions for FY2023 and FY2024 and understood that the Directors assumed the level of transaction amounts for FY2023 and FY2024 would remain stable as compared to that for the year ending 31 December 2022. As the estimated amounts of the Purchase Transactions for FY2023 and FY2024 are at similar amounts as that for FY2022 and having considered the Directors assumption as aforementioned, we are of the view that the estimated amounts of the Purchase Transactions for FY2023 and FY2024 are justifiable.

Furthermore, we noted that the Company applied buffers of approximately 9% as assumptions for the determination of the Purchase Caps for the three years ending 31 December 2024. Having considered that (I) the additional buffers were applied for unforeseeable circumstances, for instance, (a) the unpredictable increase in actual demand on the purchase products & services for the three years ending 31 December 2024; and (b) the unexpected increase in cost of the purchase products & services for the three years ending 31 December 2024; and (II) we noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among companies listed on the Stock Exchange and the buffers of approximately 9% were close to the commonly adopted buffer of 10%, we consider that the buffers are acceptable.

LETTER FROM GRAM CAPITAL

Having considered the above factors, we are of the view that the Purchase Caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the Purchase Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenues/costs or purchases/sales to be related to/incurred from Purchase Transactions. Consequently, we express no opinion as to how closely the actual revenue, purchase or costs to be incurred under the Purchase Transactions correspond with the Purchase Caps.

2. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Transactions must be restricted by the proposed annual caps for the period concerned under the 2021 Purchase and Sale Framework Agreement; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) has exceeded the annual caps.

In the event that the total amounts of the Transactions are anticipated to exceed the proposed annual caps, or that there is any material amendment to the terms of the 2021 Purchase and Sale Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note:

Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**Interests of Directors, Supervisors and Chief Executives**

As at the Latest Practicable Date, other than as disclosed herein, none of the Directors, supervisors or chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Except for the positions held by Mr. Song Chang and Mr. Zhang Wenjian at China Energy, and Mr. Gu Yuchun at Guodian Power, as at the Latest Practicable Date, none of the Directors was a director or employee of a company that had an interest or short position in the shares and underlying shares that would need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than the Directors, supervisors and senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Class of Share	Capacity	Number of	Percentage in	Percentage in
			Shares/Underlying Shares Held (shares)	the Relevant Class of Share Capital ⁽¹⁾ %	the Total Share Capital ⁽¹⁾ %
China Energy	Domestic Shares	Interests of beneficial owner and controlled corporation	4,754,000,000 ⁽²⁾ (Long position)	100.00	78.40
Guodian Power	Domestic Shares	Interests of beneficial owner	2,376,500,000 ⁽²⁾ (Long position)	49.99	39.19
Mr. Yan Andrew Y.	H Shares	Interests of controlled corporation	288,200,000 ⁽³⁾ (Long position)	22.00	4.75
SAIF IV GP Capital Ltd.	H Shares	Interests of controlled corporation	288,200,000 ⁽³⁾ (Long position)	22.00	4.75
SAIF IV GP, L.P.	H Shares	Interests of controlled corporation	288,200,000 ⁽³⁾ (Long position)	22.00	4.75
SAIF Partners IV L.P.	H Shares	Interests of beneficial owner	288,200,000 ⁽³⁾ (Long position)	22.00	4.75

Notes:

- (1) This percentage is calculated based on the number of relevant shares/total shares issued by the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the total number of shares of the Company is 6,063,770,000, of which 4,754,000,000 shares are Domestic Shares and 1,309,770,000 shares are H Shares.
- (2) As at the Latest Practicable Date, China Energy owned 46.00% of the total shares of Guodian Power, and Guodian Power owned 49.99% of the Company's Domestic Shares. Hence, China Energy holds an aggregate of 4,754,000,000 Domestic Shares in the Company directly or indirectly, which represents approximately 78.40% of the Company's total issued share capital, and is the controlling shareholder of the Company.
- (3) Mr. YAN Andrew Y. indirectly held 22.00% interest in the H Shares of the Company via SAIF Partners IV L. P. through SAIF IV GP Capital Ltd. and SAIF IV GP, L.P. Mr. YAN Andrew Y. is the controlling shareholder of SAIF IV GP Capital Ltd., SAIF IV GP LP, and SAIF Partners IV L.P. SAIF IV GP Capital Ltd. is the controlling shareholder of SAIF IV GP, L.P., which is the controlling shareholder of SAIF Partners IV L.P.. SAIF Partners IV L.P. held 22.00% interest in the H Shares of the Company. Therefore, Mr. YAN Andrew Y., SAIF IV GP Capital Ltd. and SAIF IV GP, L.P. are deemed to be interested in the H Shares of the Company held by SAIF Partners IV L.P.

3. SERVICE CONTRACTS

In compliance with relevant laws and regulations and the articles of association, except for the service contract entered into by Mr. Li Caiyun, an executive Director, with the Company on 19 October 2021, each of the executive Directors of the Company has entered into a service contract with the Company on 7 August 2020; except for the letter of appointment entered into by Mr. Song Chang, a non-executive Director, with the Company on 30 June 2021, each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company on 7 August 2021; and except for the service contract entered into by Ms. Chen Jing, a supervisor, with the Company on 30 June 2021, each of the supervisors of the Company has entered into a service contract with the Company on 7 August 2020. Each service contract/letter of appointment is valid from the date of signing until 6 August 2023, with a one-year automatic renewal clause.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. MATERIAL LITIGATION

At the Latest Practicable Date, there was no litigation or claim of material importance that is known to the Directors to be pending or threatened against any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors, supervisors, or chief executive of the Company was materially interested, either directly or indirectly, in any subsisting contract or arrangement that is significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired/disposed of by/leased to or are proposed to be acquired/disposed of by/leased to any member of the Group.

7. COMPETING INTERESTS OF DIRECTORS

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

Name of Director	Position in the Company	Other Interests
Mr. Song Chang	Non-executive Director	Director of the Corporate Management and Legal Affairs Department (Reform Office) of China Energy
Mr. Zhang Wenjian	Non-executive Director	First-level Business Director of Science and Technology Department of China Energy
Mr. Gu Yuchun	Non-executive Director	First-level Business Director of Guodian Power

8. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up).

9. EXPERT AND CONSENTS

Gram Capital is a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. Its letter of advice to the Independent Board Committee and the Independent Shareholders dated as of the date of this circular was given for the purpose of incorporation herein.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with a copy of its letter and the reference to its name and its advice included in this circular in the form and context in which they respectively appear.

As at the Latest Practicable Date, Gram Capital did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, Gram Capital did not possess any direct or indirect interests in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contract entered into in the ordinary course of business) within two years preceding the date of this circular:

- (a) On 29 October 2021, Guoneng Longyuan Environmental Co., Ltd.* (國能龍源環保有限公司) (“**Longyuan Environmental**”) (being a non-wholly owned subsidiary of the Company) entered into an investment agreement (the “**Investment Agreement**”) with Nantong Sutong Technology Industry Park Holding Development Limited* (南通蘇通科技產業園控股發展有限公司), Nantong Tianshenggang Power Generation Co., Ltd.* (南通天生港發電有限公司), Shanghai Lanjian Electric Equipment Nantong Co., Ltd.* (上海藍箭電控設備南通有限公司) for the formation of Suxitong Science and Technology Industrial Park Comprehensive Energy Development Co., Ltd.* (蘇錫通科技產業園綜合能源開發有限責任公司) (the “**JV Company**”). According to the Investment Agreement, the registered capital of the JV Company is RMB100 million. Longyuan Environmental will contribute RMB8 million to the JV Company in cash, accounting for 8% of the total registered capital of the JV Company.
- (b) On 23 September 2021, the Company entered into a capital injection and equity transfer agreement (the “**Capital Injection and Equity Transfer Agreement**”) with Huajing Credit Holding (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (華景信控(天津)股權投資基金合夥企業(有限合夥)), China Internet Investment Fund (Limited Partnership)* (中國互聯網投資基金(有限合夥)), Kegai Ceyuan (Chongqing) Private Equity Investment Fund Partnership (Limited Partnership)* (科改策源(重慶)私募股權投資基金合夥企業(有限合夥)) (collectively, the “**Financial Investors**”), Shenzhen Inovance Technology Co Ltd (深圳市匯川技術股份有限公司), Chinasoft International Information Technology Limited (北京中軟國際信息技術有限公司), Hainan Xinkong Huizhi Enterprise Management Partnership (Limited Partnership)* (海南信控匯智企業管理合夥企業(有限合夥)), Hainan Xinkong Huitong Enterprise Management Partnership (Limited Partnership)* (海南信控慧通企業管理合夥企業(有限合夥)) and Guoneng I&C Interconnection Technology Co., Ltd.* (國能信控互聯技術有限公司) (“**Guoneng I&C**”) in relation to its disposal of 49% equity interests in Guoneng I&C at an aggregation consideration of RMB322.27 million;
- (c) On 23 September 2021, the Company entered into a supplemental agreement to the Capital Injection and Equity Transfer Agreement with the Financial Investors setting out the grant of put right which entitles each of the Financial Investors to require the Company to acquire its equity interests in Guoneng I&C;

- (d) On 15 September 2021, Longyuan Environmental (being a non-wholly owned subsidiary of the Company) and South Huiton Co., Ltd.* (南方匯通股份有限公司) entered into a subscription agreement, pursuant to which, Guoneng Longyuan Environmental Co., Ltd.* has conditionally agreed to subscribe for, and South Huiton Co., Ltd.* has conditionally agreed to issue, 25,000,000 A shares at a total subscription amount of RMB203.75 million;
- (e) On 11 August 2021, the Company, Yantai Longyuan Power Technology Co., Ltd.* (煙台龍源電力技術股份有限公司) (“**Longyuan Technology**”) and Guoneng Technology & Environment Wangkui New Energy Co., Ltd.* (國能科環奎新能源有限公司) (“**Wangkui New Energy**”) entered into a second capital injection agreement, pursuant to which, the Company agreed to contribute new capital of RMB56,550,000 into Wangkui New Energy;
- (f) On 5 July 2021, the Company, Longyuan Technology and Wangkui New Energy entered into a capital injection agreement, pursuant to which, the Company agreed to contribute new capital of RMB39,950,000 into Wangkui New Energy;
- (g) On 16 June 2021, the Company, China Energy, China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), (“**Longyuan Power**”) (being a non-wholly owned subsidiary of China Energy and a connected person of the Company) and Guodian United Power Technology Co., Ltd. (being a non-wholly owned subsidiary of the Company) entered into an equity transfer and capital injection agreement, pursuant to which, the Company conditionally agreed to dispose of approximately 15.68% equity interest in Guodian United Power to China Energy at a consideration of RMB407,681,944. Immediately upon completion of the Equity Transfer, China Energy and Longyuan Power will make capital injection of approximately RMB1,474,662,400 and RMB631,998,172 into Guodian United Power, respectively, which will result in a further dilution of the Company’s equity interest in Guodian United Power to 30%;
- (h) On 19 April 2021, Beijing Lucency Enviro-Tech Co., Ltd.* (國能朗新明環保科技有限公司) (being a wholly-owned subsidiary of the Company) as transferor and Goldwind Environmental Protection Co., Ltd.* (金風環保有限公司) (being an Independent Third Party) as transferee entered into a property rights transaction agreement (產權交易合同) in relation to the disposal of 210,000,000 shares in Guodian Galaxy Water Co., Ltd.* (國電銀河水務股份有限公司) at a consideration of RMB514,983,000;

- (i) On 18 March 2021, China Energy Group Xinjiang Energy Co., Ltd.* (國家能源集團新疆能源有限責任公司) (being a wholly-owned subsidiary of China Energy and a connected person of the Company), Xinjiang Derun Economic Construction Development Co., Ltd.* (新疆德潤經濟建設發展有限公司) (being an Independent Third Party), State Grid Xinjiang Electric Power Co., Ltd.* (國網新疆電力有限公司) (being an Independent Third Party), Beijing Longyuan Environmental Engineering Co., Ltd.* (北京國電龍源環保工程有限公司) (being a wholly-owned subsidiary of the Company) and TBEA Xinjiang Sunoasis Co., Ltd.* (特變電工新疆新能源股份有限公司) (being an Independent Third Party) entered into a joint venture agreement, pursuant to which the a joint venture company will be jointly established by the parties thereto with a registered capital of RMB200,010,000. Beijing Longyuan Environmental Engineering Co., Ltd. will contribute RMB30,001,500 in cash to the joint venture company, accounting for 15% of the total registered capital of the joint venture company;
- (j) On 22 January 2021, the Company entered into an equity transfer agreement with China Energy Capital Holdings Co., Ltd. (國家能源集團資本控股有限公司) (being a wholly-owned subsidiary of China Energy and a connected person of the Company) pursuant to which, the Company agreed to sell, and China Energy Capital Holdings Co., Ltd. (國家能源集團資本控股有限公司) agreed to acquire, 5% of the equity interest in Guodian Insurance Broker (Beijing) Co., Ltd. (國電保險經紀(北京)有限公司), at the consideration of RMB46,923,140.79;
- (k) The Company entered into a property lease framework agreement for 2021 with Guodian New Energy Technology Research Institute Limited (“**New Energy Research Institute**”) (being a wholly-owned subsidiary of China Energy and a connected person of the Company) on 30 December 2020. Accordingly, the New Energy Research Institute agreed to lease certain properties to the Company and its subsidiaries for a period of one year from 1 January 2021 to 31 December 2021, with an annual cap of RMB42 million;
- (l) On 29 September 2020, the Company entered into a financial services framework agreement with China Energy Finance Co., Ltd.* (國家能源集團財務有限公司) (“**China Energy Finance**”) (being a wholly-owned subsidiary of China Energy and a connected person of the Company), pursuant to which, China Energy Finance shall provide finance services to the Group for a term from the date of consideration and approval at the general meeting of the Company to 31 December 2022, with an annual cap of RMB4,500 million for each year;

- (m) On 13 August 2020, Beijing Guodian Longyuan Environmental Engineering Co., Ltd. (being a subsidiary of the Company), entered into an investment agreement with Tianshenggang Power Generation Co., Ltd. (being a wholly-owned subsidiary of Longyuan Power and a connected person of the Company) and Jin Tong Ling Technology Group Co., Ltd. (being an Independent Third Party) on the establishment of a joint venture. Beijing Guodian Longyuan Environmental Engineering Co., Ltd. will contribute RMB26 million in cash to the joint venture, accounting for 26% of the total registered capital of the joint venture;
- (n) The Company entered into an equity transfer agreement with Beijing Huadian Tiande Assets Operation Co., Ltd. (being a connected person of the Company at the subsidiary level) on 10 January 2020. Accordingly, the Company agreed to acquire and Beijing Huadian Tiande Assets Operation Co., Ltd. agreed to sell its 10% equity interest of Beijing Huadian Tianren Power Controlling Technology Co., Ltd. at the consideration of RMB27,111,294; and
- (o) The Company entered into a property lease framework agreement for 2020 with the New Energy Research Institute (being a wholly-owned subsidiary of China Energy and a connected person of the Company) on 30 December 2019. Accordingly, the New Energy Research Institute agreed to lease certain properties to the Company and its subsidiaries for a period of one year from 1 January 2020 to 31 December 2020, with an annual cap of RMB42 million.

11. GENERAL

- (a) The registered office of the Company is at Suite 1101, 11/F, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, PRC.
- (b) The principal place of business of the Company in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (c) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) The company secretary of the Company is Mr. Lee Kwok Fai Kenneth. Mr. Lee Kwok Fai Kenneth is an associate member of Hong Kong Certified Public Accountants, a member of the American Institute of Certified Public Accountants in the United States and a Chartered Financial Analyst.
- (e) This circular is in both English and Chinese. In the event of inconsistency, the English text shall prevail over the Chinese text.

12. DOCUMENTS ON DISPLAY

Copies of the following documents published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.01296.hk>) for 14 days from the date of this circular:

- (a) 2018 Purchase and Sale Framework Agreement; and
- (b) 2021 Purchase and Sale Framework Agreement.



國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

**NOTICE OF THE THIRD EXTRAORDINARY
GENERAL MEETING FOR THE YEAR 2021**

NOTICE IS HEREBY GIVEN THAT the third extraordinary general meeting (the “**EGM**”) of Guodian Technology & Environment Group Corporation Limited (the “**Company**”) for the year 2021 will be held at the Conference Room, 12th Floor, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the People's Republic of China (the “**PRC**”) at 10:30 a.m. on Tuesday, 28 December 2021, for the purpose of considering and, if thought fit, approving the following resolutions:

AS ORDINARY RESOLUTIONS

1. (a) The entering into of the 2021 Purchase and Sale Framework Agreement between the Company and China Energy Investment Group Co., Ltd.* (國家能源投資集團有限公司) and the transactions contemplated thereunder and the proposed annual caps, details of which are more particularly described in the circular of the Company dated 10 December 2021 be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors for and on behalf of the Company be and is hereby authorized, among other matters, to sign, execute, perfect and deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the 2021 Purchase and Sale Framework Agreement and to waive compliance from or make and agree such amendments of a non-material nature to any of the terms of the 2021 Purchase and Sale Framework Agreement he/she may in his/her discretion consider to be desirable and in the interests of the Company and all the directors' acts as aforesaid.

NOTICE OF EGM

2. To consider and approve the appointment of Mr. Jiang Jianwu (“**Mr. Jiang**”) as a non-executive director of the Company, effective from the date on which this resolution is approved by the shareholders at the EGM and until the expiration of the term of the fourth session of the board of directors of the Company and, upon Mr. Jiang’s appointment as a director of the Company, to authorize the remuneration and appraisal committee of the board of directors of the Company to determine the remuneration of Mr. Jiang, and to authorize any one of the executive directors of the Company to enter into a letter of appointment with Mr. Jiang and to handle all other relevant matters on behalf of the Company.

By order of the Board of
Guodian Technology & Environment Group Corporation Limited*
Mr. CHEN Dongqing
Chairman

Beijing, PRC, 10 December 2021

* *For identification purposes only*

Notes:

1. Important

The Company will dispatch and publish a circular containing further details relating to the resolutions in due course. The form of proxy and the reply slip for the EGM will be dispatched and published by the Company on the same date as this notice of the EGM.

2. Closure of Register of Members

The register of members of the Company will be closed from Friday, 24 December 2021 to Tuesday, 28 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares) or the head office of the Company (for holders of domestic shares) at Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, PRC no later than 4:30 p.m. on Thursday, 23 December 2021.

3. Eligibility for Attending the EGM

Holders of H shares and domestic shares whose names appear on the register of members of the Company on Tuesday, 28 December, 2021 are entitled to attend and vote at the EGM.

4. Proxy

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.

If the appointer is a legal person, its legal representative or any person authorized by resolutions of the board of the directors or other governing bodies may attend the EGM on behalf of the appointer.

NOTICE OF EGM

In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, must be deposited to the H share registrar of the Company (for holders of H shares), namely Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or the head office of the Company (for holders of domestic shares) at Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, PRC not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. If the appointer is a legal person, the proxy form must be either executed under its common seal or under the hand of its directors or attorney duly authorized.

5. Registration Procedures for Attending the EGM

The Company has the rights to request a proxy who attends the EGM on behalf of a shareholder to provide proof of identity. Shareholders who intend to attend the EGM should complete and return the reply slip by hand or by post to the H share registrar of the Company (for holders of H shares), namely Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or to the head office of the Company (for holders of domestic shares) at Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, PRC on or before Sunday, 19 December 2021.

6. Method of Voting at the EGM

Voting at the EGM will be conducted by way of poll.

7. Miscellaneous

(i) The EGM is expected to take half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identification documents for verification when attending the EGM.

(ii) Contacts of the Company are as follows:

Address:	Building 1, Yard 16 W. 4th Ring Middle Road Haidian District Beijing, PRC
Contact Person (for Shareholders in the PRC):	Ms. Qin Xiangling Telephone: (8610) 5765 9867
Contact Person (for Shareholders outside the PRC):	Mr. Lee Kwok Fai Kenneth Telephone: (852) 2822 0158

As at the date of this notice, the executive directors of the Company are Mr. Chen Dongqing and Mr. Li Caiyun; the non-executive directors are Mr. Song Chang, Mr. Zhang Wenjian, Mr. Gu Yuchun and Ms. Ge Xiaojing; and the independent non-executive directors are Mr. Shen Xiaoliu, Mr. Qu Jiuhui, Mr. Xie Qiuye and Mr. Yeung Chi Tat.