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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guodian Technology & Environment Group Corporation Limited*, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



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) PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**
(2) PROPOSED ENTERING INTO NEW MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
(3) PROPOSED RE-APPOINTMENT OF PRC AUDITOR
(4) PROPOSED AMENDMENTS TO THE ARTICLES, THE RULES OF
PROCEDURES OF THE GENERAL MEETING AND THE RULES OF
PROCEDURES OF THE BOARD OF DIRECTORS
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser of 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, 3rd Floor, Building No. 1, Block No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing, the PRC at 4:00 p.m. on Friday, 29 December 2017. The notice of the EGM is set out on pages EGM-1 to EGM-5 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying Revised Proxy Form in accordance with the instructions printed thereon. For holders of H Shares, the Revised Proxy Form should be returned to Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the Revised Proxy Form should be returned to the Company's head office in the PRC in person or by post no later than 24 hours before the time fixed for holding the EGM or any adjourned meeting thereof. Completion and return of the Revised Proxy Form will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting should you so wish.

If you intend to attend the EGM in person or by proxy, you are required to complete and return the accompanying reply slip to (for holders of H Shares) Computershare Hong Kong Investor Services Limited or to (for holders of Domestic Shares) the Company's head office in the PRC on or before Wednesday, 6 December 2017.

* For identification purposes only

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DEFINITIONS

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

“Applicable Standard Products Pricing Policy”	has the meaning described in the paragraphs under the subsection titled “Summary of the terms of the Guodian Group Master Agreement” of this circular
“Applicable Standard Services Pricing Policy”	has the meaning described in the paragraphs under the subsection titled “Summary of the terms of the Guodian Group Master Agreement” of this circular
“Articles”	the articles of association of the Company (as amended from time to time)
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“China Energy Investment”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), which was merged and restructured by Guodian Group and Shenhua Group
“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 incorporated in the PRC on 16 May 2011, including, as the context requires, its subsidiaries
“Company Law”	the Company Law of the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company

DEFINITIONS

“Domestic Shares”	ordinary shares in the Company’s capital, with a nominal value of RMB 1.00 each, which are subscribed for and paid up in RMB
“Energy Saving Company”	Guodian Energy Saving Technology Co., Ltd. (國電節能技術有限公司), a secondary subsidiary of the Group
“Engineering Company”	Guodian Longyuan Power Technology and Engineering Co., Ltd. (國電龍源電力技術工程有限責任公司), a secondary subsidiary of the Group
“EPC”	engineering, procurement and construction. A business model under which the general contractor undertakes the design, procurement, construction and testing and is responsible for the project’s quality
“Extraordinary General Meeting” or “EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve (1) proposed renewal of continuing connected transactions; (2) proposed entering into new major transactions and continuing connected transactions; (3) Proposed Re-appointment of PRC Auditor; and (4) proposed amendments to the Articles, the Rules of Procedures of the General Meeting and the Rules of Procedures of the Board
“Finance Services Framework Agreement”	the framework agreement on provision of finance services by Guodian Capital Holdings and its subsidiaries to the Group dated 9 November 2017 entered into by and between the Company and Guodian Capital Holdings
“Finance Services Framework Agreement with Guodian Finance”	the framework agreement on the provision of finance services by Guodian Finance to the Group initially entered into on 31 July 2012, by and between the Company and Guodian Finance, as amended and supplemented by the Revised Finance Services Supplemental Agreement dated 10 December 2013 and Finance Services Second Supplemental Agreement dated 22 August 2014
“Finance Services Second Supplemental Agreement”	the supplemental agreement amending the Finance Services Framework Agreement dated 22 August 2014 by and between Guodian Finance and the Company

DEFINITIONS

“GD Power”	GD 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 and the controlling shareholder of the Company, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600795)
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Guodian Group 2018 Supplemental Agreement and the deposit services under the Finance Services Framework Agreement
“Group”	the Company and its subsidiaries
“Guodian Capital Holdings”	China Guodian Capital Holding Ltd. (國電資本控股有限公司), a limited liability company established in the PRC and a subsidiary of Guodian Group
“Guodian Finance”	Guodian Finance Corporation Ltd. (國電財務有限公司), a limited liability company established in the PRC and a subsidiary of Guodian Group
“Guodian First Supplemental Agreement”	the first supplemental agreement amending the Guodian Group Master Agreement entered on 7 May 2012, by and between the Guodian Group and the Company
“Guodian Fourth Supplemental Agreement”	the Fourth Supplemental Agreement amending the Guodian Group Master Agreement and entered into by and between the Guodian Group and the Company on 22 August 2014
“Guodian Group”	China Guodian Corporation Ltd. (中國國電集團有限公司) (formerly known as “ China Guodian Corporation ”), a state-owned enterprise established in the PRC and the controlling shareholder of the Company
“Guodian Group 2018 Supplemental Agreement”	the supplemental agreement amending the Guodian Group Master Agreement entered into on 20 November 2017, subject to approval by the Independent Shareholders, by and between the Guodian Group and the Company

DEFINITIONS

“Guodian Group Master Agreement”	the Guodian Group Master Agreement first entered into on 23 November 2011 as amended and supplemented by the Guodian First Supplemental Agreement dated 7 May 2012, the Guodian Second Supplemental Agreement dated 28 August 2012, the Guodian Third Supplemental Agreement dated 11 November 2013 and the Guodian Fourth Supplemental Agreement dated 22 August 2014
“Guodian Second Supplemental Agreement”	the second supplemental agreement amending the Guodian Group Master Agreement and entered into by and between the Guodian Group and the Company on 28 August 2012
“Guodian Third Supplemental Agreement”	the third supplemental agreement amending the Guodian Group Master Agreement and entered into by and between the Guodian Group and the Company on 11 November 2013
“H Shares”	the overseas-listed foreign shares in the ordinary share capital of the Company, with a RMB denominated par value of RMB 1.0 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”	an independent committee of the Board composed of all independent non-executive Directors, namely Mr. Shen Xiaoliu, Mr. Qu Jihui, Mr. Xie Qiuye and Mr. Yeung Chi Tat, formed to advise the Independent Shareholders the Guodian Group Master Agreement, and the fairness and reasonableness of the proposed annual caps of transactions contemplated under the Finance Services Framework Agreement
“Independent Shareholders”	the Shareholders not required to abstain from voting in favor of the resolutions for approving the proposed renewal of continuing connected transactions, proposed entering into new major transactions and continuing connected transactions under the Listing Rules
“Latest Practicable Date”	8 December 2017, being the latest practicable date prior to the printing of this circular of ascertaining certain information

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Longyuan Power”	China Longyuan Power Group Corporation Limited (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC, whose H Shares are listed on the main board of the Stock Exchange (stock code: 916)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Re-appointment of Auditors”	means the re-appointment of Union Power certified public Accountants (中審眾環會計師事務所) at the PRC auditor of the Company for 2017
“Revised Finance Services Supplemental Agreement”	the supplemental agreement amending the Finance Services Framework Agreement, entered into on 10 December 2013, by and between Guodian Finance and the Company
“Revised Proxy Form”	means the revised proxy form published by the Company on 29 November 2017 for the EGM
“RMB”	the lawful currency of the PRC
“Rules of Procedures of the Board of Directors”	the rules of procedures of the Board
“Rules of Procedures of the General Meeting”	the rules of procedures of the general meeting of the Company
“Shareholder”	holder(s) of Shares of the Company

DEFINITIONS

“Shenhua Group”	Shenhua Group Corporation Limited, a wholly state-owned enterprise and a comprehensive major energy enterprise which is mainly engaged in production and sale of coal, production and supply of electricity and heat power, coal to liquid and coal-based chemical business, and transportation services such as railway and ports
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“WTG”	Wind turbine generator
“%”	percent

LETTER FROM THE BOARD OF DIRECTORS



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. Zhang Jun

Mr. Tang Chaoxiong

Legal address:

Suite 1101, 11/F, Building No. 1

Block No. 16 Xi Si Huan Zhong Road

Haidian District, Beijing, the PRC

Non-executive Directors:

Mr. Wang Zhongqu

Mr. Zhang Wenjian

Mr. Gu Yuchun

Mr. Yan Andrew Y.

Head office in the PRC:

Building No. 1

Block No. 16 Xi Si Huan Zhong 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:

Flat L 15/F, Hong Kong Mansion

1 Yee Wo Street

Causeway Bay, Hong Kong

12 December 2017

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**
(2) PROPOSED ENTERING INTO NEW MAJOR TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
(3) PROPOSED RE-APPOINTMENT OF PRC AUDITOR
(4) PROPOSED AMENDMENTS TO THE ARTICLES, THE RULES OF
PROCEDURES OF THE GENERAL MEETING AND THE RULES OF
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* For identification purposes only

LETTER FROM THE BOARD OF DIRECTORS

1. INTRODUCTION

Reference is made to the announcement of the Company dated 9 November in relation to entering into new major transactions and continuing connected transactions, the announcement of the Company dated 9 November 2017 in relation to proposed amendments to the Articles, the Rules of Procedures of the General Meeting and the Rules of Procedures of the Board of Directors, and the announcement of the Company dated 20 November 2017 in relation to renewal of continuing connected transactions.

The purposes of this circular are to give you the notice of the EGM and to provide details of the resolutions in relation to the following matters to be proposed at the EGM: (1) proposed renewal of continuing connected transactions; (2) entering into new major transactions and continuing connected transactions; (3) Proposed Re-appointment of PRC Auditor; and (4) proposed amendments to the Articles, the Rules of Procedures of the General Meeting and the Rules of Procedures of the Board of Directors.

2. PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

A. Background

The Company is a party to continuing connected transactions. As further described herein, the Company, in accordance with the Listing Rules, intends to renew continuing connected transactions.

Reference is made to the Company's announcements dated 27 March 2012, 7 May 2012, 28 August 2012, 11 November 2013, 10 December 2013 and 24 August 2014, and the Company's circulars dated 14 May 2012, 28 September 2012, 11 December 2013 and 3 December 2014, in relation to, inter alia, continuing connected transactions under the Guodian Group Master Agreement.

As the Group is expected to continue the continuing connected transactions under the Guodian Group Master Agreement after 31 December 2017, the Company will comply with the provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions. Thus, the Company entered into the Guodian Group 2018 Supplemental Agreement with Guodian Group, to extend the term of the Guodian Group Master Agreement to 31 December 2018.

Based on internal estimates and historical transaction amounts, the Board also proposed annual caps for the continuing connected transactions contemplated under the Guodian Group Master Agreement to be renewed for 2018, details of which are set out below.

LETTER FROM THE BOARD OF DIRECTORS

B. Renewal of Guodian Group Master Agreement

Summary of the terms of Guodian Group Master Agreement

Date

23 November 2011, as amended and supplemented by the Guodian Group First Supplemental Agreement dated 7 May 2012, Guodian Group Second Supplemental Agreement dated 28 August 2012 and Guodian Group Third Supplemental Agreement dated 11 November 2013 and Guodian Group Fourth Supplemental Agreement dated 22 August 2014.

Parties

- (1) The Company; and
- (2) Guodian Group

Material Terms

Pursuant to the Guodian Group Master Agreement, the goods and services provided by the Group to the Guodian Group and its subsidiaries (other than the Group) mainly include:

- *Environmental protection and energy conservation solutions services segment:* including (i) environmental protection products (including ash removal, water treatment and denitrification catalyst); (ii) energy conservation products (including plasma assisted coal combustion equipment); (iii) environmental protection services (including desulfurization concession service, denitrification concession service, desulfurization EPC service, denitrification EPC service and water treatment build-own-transfer service); and (iv) energy conservation services (including steam turbine flow passage improvement service and energy management contracts); and
- *Renewable energy equipment manufacturing and integrated solutions services segment:* including (i) WTGs and their parts and components; and (ii) wind power services including wind farm EPC services.

Goods and services provided by the Guodian Group and its subsidiaries (other than the Group) to the Group mainly include: the supply of desulfurization and denitrification equipment, water, electricity, gas and consulting services.

The Group and the Guodian Group and its subsidiaries (other than the Group) will enter into separate agreements which set out the specific scope of services and products, terms and conditions of providing such services and products according to the principles set out in the Guodian Group Master Agreement, and otherwise on normal commercial terms.

LETTER FROM THE BOARD OF DIRECTORS

The Guodian Group Master Agreement is for a term of three years starting from 1 January 2015. Either party may terminate the Guodian Group Master Agreement upon giving the other party three months' written notice.

When the Group is the supplier, if the terms and conditions of similar products and services offered by an independent third party are the same as those offered by the Group, the Guodian Group will give priority in sourcing the requisite products and services from the Group. When the Guodian Group is the supplier, the Guodian Group will provide products or services to the Group with terms and conditions comparable to, or better than, those provided to an independent third party.

The Group would be given priority by the Guodian Group and its subsidiaries (other than the Group) in the provision of the relevant products and services, provided that the terms and conditions offered by independent third parties to the Guodian Group and its subsidiaries (other than the Group) are no more favorable than those offered by the Group for the same products or services.

Pricing policy

The products to be provided under the Guodian Group Master Agreement will be based on the following pricing policy:

- (1) government-prescribed price (including any price prescribed by any relevant local government, if applicable);
- (2) where there is no government-prescribed price but there is a government-guidance price, then the government-guidance price;
- (3) where there is neither a government-prescribed price nor a government-guidance price, the market price; or
- (4) where none of the above is applicable or where it is not practical to apply the above pricing policies, then the price agreed between the relevant parties shall be based on arm's length negotiation and shall be the reasonable costs incurred in providing the products plus reasonable profits.

(The above pricing mechanism is hereinafter referred to as the "**Applicable Standard Products Pricing Policy**".)

LETTER FROM THE BOARD OF DIRECTORS

Pursuant to the terms of Guodian Group Master Agreement, except for desulfurization and denitrification concession services provided by the Group to Guodian Group and its subsidiaries (other than the Group) which use prices determined with reference to the published prices by NDRC after taking into consideration the cost of the installation of the environmental protection facilities under “Desulfurization Tariffs of Coal-fired Generating Units and Operation Management Measures on Desulfurization Facilities (Trial)” (Fai 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)); “the Notice from National Development and Reform Commission on Adjustment on the Tariffs of North China Power Grid” (Fai Gai Jia Ge [2011] No. 2619)《國家發展改革委關於調整華北電網電價的通知》發改價格[2011]2619號; “the Notice from National Development and Reform Commission on Relevant Issue on Expanding the Pilot Scope of Denitrification Tariffs Policy” (Fai Gai Jia Ge [2012] No. 4095)《國家發展改革委關於擴大脫硝電價政策試點範圍有關問題的通知》發改價格[2012]4095號; and “the Notice from National Development and Reform Commission on Relevant Matters on Adjustment on Additional Standards for Renewable Energy Tariffs and Green Tariffs” (Fai 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), which are updated by NDRC from time to time, none of the material products to be provided under the Guodian Group Master Agreement (as specified above) has a government-prescribed price or a government-guidance price. As a result, such products use a mix of market price and individually negotiated price described under paragraphs (3) and (4) in the definition of Applicable Standard Products Pricing Policy, respectively. While market price will be applied first, when such market price is unavailable or unpractical under the circumstances (such as lack of other supplier of comparable products), the price agreed between the relevant parties based on arm’s length negotiations will be applied.

However, when a government-prescribed price or a government-guidance price becomes applicable to any product provided under the Guodian Group Master Agreement, the relevant government-prescribed price or government-guidance price, as the case may be, will have the priority in accordance with the Applicable Standard Products Pricing Policy.

The services to be provided under the Guodian Group Master Agreement will be based on the following pricing policy:

- (1) the bidding price where the bidding process is required; or
- (2) where no bidding process is involved, the market price.

LETTER FROM THE BOARD OF DIRECTORS

Market price is defined as (i) the prevailing price at which the same type of products or services are provided by the independent third parties in the ordinary course of business in the place where such products or services are provided or the surrounding areas; or (ii) the prevailing price at which the same type of products or services are provided by the independent third parties in the ordinary course of business.

(The above pricing mechanism is hereinafter referred to as the “**Applicable Standard Services Pricing Policy**”.)

When the Group is the service receiver, according to relevant laws in the PRC and the Group’s internal rules on bidding, for the service contracts with a value over certain thresholds (including, such as, construction contracts with an estimated price of more than RMB2,000,000; service contracts such as exploration, design, and construction supervision with an estimated price of more than RMB500,000), the bidding process will be used, and for the service contracts with a price under the threshold, the non-bidding process for procurement (e.g. quotation, competitive negotiation and sole-source) will be used. When the Group is the service provider, the applicability of bidding process will depend on the connected person’s internal rules on bidding, whereby monetary value thresholds will also usually apply. The Group ensures that the bidding price to be submitted by the Group is on normal commercial terms by having the department or subsidiary involved in the specific transaction and the finance department to estimate the Group’s reasonable costs and reasonable profits, and thereby conducting arm’s length negotiations with the purchaser, regardless whether the purchaser is a connected person or an independent third party. Please also refer to disclosure on “reasonable costs” and “reasonable profits” below and the subsection titled “Internal procedures” of this circular.

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.

While considerations may vary depending on the specific products and service to be provided under the relevant continuing connected transactions, as a general principle, to ensure that the continuing connected transactions are fair and reasonable and on normal commercial terms, the Group has adopted the procurement steps in the following order to determine the market price:

- (a) a bidding process or quotation and competitive negotiation for non-bidding process to solicit the best pricing terms available;
- (b) when the above procurement processes are unfeasible or impracticable and the sole-source process is adopted, then a comparison between the quotes offered by the sole supplier and historical and market prices and negotiation will be carried out;

LETTER FROM THE BOARD OF DIRECTORS

For the purpose of the definitions of “Applicable Standard Products Pricing Policy” and “Applicable Standard Services Pricing Policy”:

- (a) “Reasonable costs” shall be 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.
- (b) “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 service, overall historical transactional values 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 line of the Group, local commodity prices and local economic development levels.

In order to ensure that the terms described above are observed and that the transactions are on normal commercial terms, various departments of the Company and relevant subsidiaries of the Company collaborate to obtain necessary information in order to form a collective decision in accordance with the Company’s internal contract management and procurement rules.

When the Group is the supplier, the business division of the Company or that of a subsidiary of the Company involved in the specific transaction reviews the contract for its economic benefits, technology aspects and feasibility, and collects market research, studies and other relevant information via sources including third-party databases, the Group’s own records and Internet searches. The finance department of the Company and the subsidiary of the Company reviews the contract for its financial aspects and collects historic transactional values, pricing of comparable transactions and other relevant information mostly via the Group’s own records. Based on such information and based on a joint decision made by various departments and the relevant subsidiary, the Company derives of reasonable costs and reasonable profits, regardless whether the transaction is with a connected person or an independent third party.

When the Group is the purchaser, during the process of bidding or non-bidding for procurement, no less than three suppliers shall be involved in the bidding in principle, otherwise second bidding will be carried out. Comparison of terms offered by connected persons and those offered by independent third parties is made in order to ensure that the transactions are on normal commercial terms and the connected person must provide products or services to the Group with terms and conditions comparable with, or better than, those provided by an independent third party.

LETTER FROM THE BOARD OF DIRECTORS

Payment Terms

Payment and settlement for transactions under the Guodian Group Master Agreement 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.

C. The Guodian Group 2018 Supplemental Agreement

As the Guodian Group Master Agreement will expire on 31 December 2017, the Guodian Group 2018 Supplemental Agreement was entered into on 20 November 2017 by and between the Company and the Guodian Group, subject to the approval by the Independent Shareholders, to extend the current term of the Guodian Group Master Agreement to 31 December 2018. The proposed new annual cap for the year ending 31 December 2018 for the provision of products and services by the Group to the Guodian Group and its subsidiaries (other than the Group) under the Guodian Group Master Agreement to be renewed is RMB29,000 million. The proposed new annual cap for the year ending 31 December 2018 for the provision of products and services by the Guodian Group and its subsidiaries (other than the Group) to the Group under the Guodian Group Master Agreement to be renewed is RMB1,000 million.

Except as disclosed above, all other material terms and conditions of the Guodian Group Master Agreement have remained unchanged.

D. Historical Transaction Values

The table below sets out the actual transaction values of the continuing connected transactions under the Guodian Group Master Agreement for the years ended 31 December 2014, 2015 and 2016.

Transaction	Years ended 31 December		
	2014	2015	2016
	<i>(RMB millions)</i>		
Provision of products and services by the Group to the Guodian Group and its subsidiaries (other than the Group)	12,452.7	12,154.9	10,950.8
Provision of products and services by the Guodian Group and its subsidiaries (other than the Group) to the Group	658.1	1,193.4	364.4

LETTER FROM THE BOARD OF DIRECTORS

E. Proposed Annual Caps for 2018 and Basis of Determination

The table below sets out the annual caps for the continuing connected transactions contemplated under the Guodian Group Master Agreement for the year ending 31 December 2017 and the proposed new annual caps for the year ending 31 December 2018.

Transaction	Years ending 31 December	
	2017	2018
	<i>(RMB millions)</i>	
Provision of products and services by the Group to the Guodian Group and its subsidiaries (other than the Group)	29,500	29,000
Provision of products and services by the Guodian Group and its subsidiaries (other than the Group) to the Group	3,500	1,000

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

- (1) Favorable government policies relating to the industries in which the Group and Guodian Group and its subsidiaries (other than the Group) operate are expected to continue to stimulate demand for products and services provided by the Group to Guodian Group and its subsidiaries (other than the Group);
- (2) The Group undertook the following steps in 2017 to restructure the Group's energy-saving reconstruction business, which is considered by the Group to have growth potential: (i) acquired all equity interest in Energy Saving Company, a subsidiary of Engineering Company, which became a secondary subsidiary of the Group; (ii) acquired 60% equity interest in Beijing Long Wei Power Generation Technology Co., Ltd. (北京龍威發電技術有限公司) held by Engineering Company; (iii) acquired all equity interest in Beijing Guodian Lantian Energy Saving Science and Technology Development Co., Ltd. (北京國電藍天節能科技開發有限公司), a subsidiary of Guodian Science and Technology Research Institute (國電科學技術研究院). The restructuring has led to the formation of a business structure with pulverized coal combustion technology as the core, supported by energy-saving and emission reduction products for production process of coal-fired power plant, and supplemented by related technical services and industrial investment; The commitment to establishment of leading enterprise providing a "one-stop" integrated energy-saving reconstruction service has effectively formed a new business growth point of the

LETTER FROM THE BOARD OF DIRECTORS

Group. Energy Saving Company actively tracked Shizuishan energy-saving project, Changzhou Power Plant energy-saving project and other energy-saving projects, and for the ten months ended October 2017, the contracted amount for such projects was approximately RMB920 million. Some of the customers in the new line of business are members of Guodian Group;

- (3) Guodian Group, the controlling shareholder of the Group, has merged and restructured with Shenhua Group, the largest coal enterprise in the PRC, to form China Energy Investment, a leading central energy enterprise in terms of asset scale. Based on (i) proposed investment by China Energy Investment; and (ii) possible demand from Shenhua Group for services, it is expected that the demand for products and services provided by the Group from the new group will be increasing gradually and continuously following the merger. The merger will offer the Group increased business opportunities and development potential, and there will be increases in the number of connected persons and the amount of connected transactions of the Group accordingly;
- (4) The amount of signed contracts to be recognized in 2018; and
- (5) A buffer of approximately 11.5% on estimated demand of products and services provided by the Group.

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

- (1) The Group will procure more products and services provided by Guodian Group and its subsidiaries (other than the Group) due to the launch of concession service business;
- (2) The Group will procure more products and services provided by China Energy Investment as a result of the merger between Guodian Group and Shenhua Group;
- (3) The Group will use more bidding agency services provided by Guodian Group and its subsidiaries (other than the Group) due to the increase in internal sales of the Group;
- (4) The amount of signed contracts to be recognized in 2018; and
- (5) A buffer of approximately 11.6% on estimated demand of products and services provided by Guodian Group and its subsidiaries.

LETTER FROM THE BOARD OF DIRECTORS

F. Internal Procedures

To ensure that the considerations for the continuing connected transactions of the Group, including those under the Guodian Group Master Agreement, are on normal commercial terms and that the terms (in particular, pricing terms including the definition of “reasonable costs” and “reasonable profits” used in determining appropriate price) thereunder are complied with, the Company has adopted the following supervision and internal control procedures:

- (1) The Company has adopted and implemented a set of connected transactions administration rules. According to these rules, the department of securities financing and legal affairs of the Company is responsible for examining connected transaction agreements and continuing connected transaction agreements for compliance with applicable laws and regulations, company policies and the Listing Rules. Furthermore, the finance department, planning and development department and relevant business division of the Company are jointly responsible for evaluating terms, in particular, the fairness of the pricing terms, of each agreement.
- (2) In compliance with the Listing Rules, the Company’s independent non-executive Directors have reviewed and will continue to review the Company’s connected transaction agreements or continuing connected transaction agreements to confirm that they are on normal commercial terms and in accordance with relevant agreement governing the relevant transactions. The auditor of the Company also conducts annual review of continuing connected transactions of the Group (including those under the Guodian Group Master Agreement) in relation to the Group’s providing goods and services in accordance with the pricing policies of the Group stipulated under the relevant agreements governing such transactions, and that they have been entered into in accordance with the relevant agreements governing such transactions.
- (3) Based on the strict implementation of the Law of the People’s Republic of China on Tendering and Bidding and relevant national regulations, as well as relevant requirements of China Guodian Corporation, the Company has prepared and released six systems and one regulation, including the Purchase Management Measures. The Group has set up the Purchase Management Committee and the Purchase and Materials Management Department. Through the unified bidding and price quotation and comparison platform of China Guodian Corporation, the plan, standard, process and platform for purchase in the entire group are unified. During the purchasing process, the Bid Evaluation Committee, evaluation group members and staff member concerned have strictly enforced the relevant confidentiality disciplines and requirements on withdrawal by petition of China Guodian Corporation.

LETTER FROM THE BOARD OF DIRECTORS

G. Reasons for and Benefits of the Renewal

Guodian Group and its other subsidiaries have been important clients and suppliers for the Group, providing abundant resources within the Guodian Group network and strong policy support since the Company's listing on the main board of the Stock Exchange. A significant portion (currently approximately 70%) of the revenue of the Company is derived from the Guodian Group and its other subsidiaries. Guodian Group is a Fortune Global 500 Company and one of the five largest power companies in China; and two of its subsidiaries, GD Power and Longyuan Power, are listed companies and leaders in the coal-fired power industry and the wind power industry, respectively. The Company has worked with Guodian Group's energy generation activities, providing environmental protection and energy conservation services to the coal-power generation facilities owned or operated by Guodian Group and its subsidiaries (other than the Group), as well as providing wind power generation products used in Guodian Group's renewable energy platform. Upon the merger of Guodian Group and Shenhua Group, it is expected that the demand for products and services provided by the Group from the new company will be increasing gradually and continuously. Meanwhile, the Group will enjoy further benefits from the provision of products and services by the new company.

The products and service orders of the Company are mainly obtained through public bidding or inquiry, are in line with national laws and regulations, and follow the market pricing. From the perspective of Guodian Group, the Company is more familiar with the management, current situation and product demand of power business of Guodian Group, China Energy Investment, maintaining good and close cooperation with Guodian Group, and each of its subsidiaries can provide Guodian Group with more advanced and efficient energy saving, environmental protection and new energy products, engineering and service that meet the needs of customers. Compared with other suppliers, the Company has obvious comparative advantages in technical support of product and engineering, after-sales service and rapid emergency response. When there is short supply in the relevant product and service market, the Company can provide priority service to ensure the needs and development of Guodian Group. Meanwhile, as a leader in industry-related product and technologies, the Company is also able to provide advice and decision-support for the management and planning in power generation business of Guodian Group. From the perspective of the Group, Guodian Group, as one of China's top five power generation companies (China Energy Investment is expected to be largest power generation, coal and new energy supply company in PRC in the future), is able to provide a vast market for the business development of the Company. At the same time, Guodian Group provided support and guarantee for the research and development, demonstration and promotion of new technologies, new products and new business models of the Company. The EDPF-NT+ automatic control system (DCS), dual-cycle desulfurization, plasma ignition technology and equipment which were independently research and development by the Company have been successfully applied to the world's first GW ultra-supercritical and double reheat unit of Guodian Taizhou, and was awarded the 2016 Most Influential Engineering Project Award, 2017 China Power Quality Project and other awards. The internal market and research and development support of Guodian Group provide a powerful guarantee for the Company to compete and participate in the external market.

LETTER FROM THE BOARD OF DIRECTORS

The relationship has been mutually beneficial and has been fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Company has also formulated plans and actions to strengthen revenues from sources outside the Guodian Group. The Group will further increase research and development and promotion of new technologies, new products and new business models, step up publicity and promotion efforts especially in the overseas markets, and to maintain and develop revenue sources from third parties outside the Guodian Group to ensure operational and financial independence.

For instance, in 2017, the Group established its overseas business department to coordinate the work of various subsidiaries of the Group in relation to overseas business. Further, the Group grasped the opportunities to promote its technologies and products in different forums and face-to-face presentations, including the Expo 2017 in Astana, Kazakhstan, POWER-GEN India & Central Asia 2017 in New Delhi, India and CIEPEC 2017-China International Environmental Protection Exhibition & Conference in Beijing, China. The Group also established pilot regional promotion hubs as well as internal systems to share marketing information and resources. All these measures are targeted to develop revenue sources outside the Guodian Group.

H. Listing Rules Implications

As at the Latest Practicable Date, Guodian Group and its associates directly and indirectly through GD Power hold an aggregate of 4,754,000,000 Shares, which represent approximately 78.40% of the issued share capital of the Company; it is a controlling shareholder and thus a connected person of the Company as defined under Rule 14A.07(1) of the Listing Rules. Therefore, the transactions between the Group and Guodian Group constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (other than profit ratio) for the proposed new annual caps in respect of continuing connected transactions contemplated under the Guodian Group Master Agreement to be renewed exceed 5.0%, the proposed new annual caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Extraordinary General Meeting will be held to seek the approval of and ratification from the Independent Shareholders, among other things, the renewal of the Guodian Group Master Agreement and the proposed new annual caps for the continuing connected transactions contemplated thereunder.

LETTER FROM THE BOARD OF DIRECTORS

Guodian Group and its associates (including GD Power) shall abstain from voting on the resolution to approve the renewal of Guodian Group Master Agreement and the proposed new annual caps for the continuing connected transactions contemplated thereunder at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is involved in or interested in Guodian Group Master Agreement and the continuing connected transactions contemplated thereunder which requires such Shareholder to abstain from voting on the resolution to approve the renewal of Guodian Group Master Agreement and the proposed new annual caps for the continuing connected transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders for the fairness and rationality in respect of the renewal of Guodian Group Master Agreement and the proposed new annual caps for the continuing connected transactions contemplated thereunder after considering the recommendations of Independent Financial Adviser on the same matter. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

I. Directors' Opinion

The Directors (excluding Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun) confirm that the terms of each of the Guodian Group Master Agreement and the Guodian Group 2018 Supplemental Agreement (including the proposed new annual caps for the continuing connected transactions contemplated thereunder for the year ending 31 December 2018) are on normal commercial terms that are fair and reasonable, and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Company, and were and are in the interest of the Company and the Shareholders as a whole.

Directors associated with Guodian Group, GD Power and other associates of Guodian Group, namely Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun as the connected Directors, have abstained from voting regarding the renewal of the Guodian Group Master Agreement and the proposed new annual caps of the continuing connected transactions under such agreement. Except as disclosed above, none of the Directors has any material interests in the renewal of the Guodian Group Master Agreement and the proposed new annual caps of the continuing connected transactions under such agreement and hence no other Director has abstained from voting on such board resolutions.

J. Information of the Parties

The Group

The Group is primarily engaged in the provision of integrated clean technology solutions and services within the PRC through its two main business segments, with established leading or dominant market positions in the environmental protection, energy conservation and renewable energy equipment manufacturing and related service industries in the PRC.

LETTER FROM THE BOARD OF DIRECTORS

Guodian Group

Guodian Group is a comprehensive power group with its key focus on power generation. It is principally engaged in the development, investment, construction, operation and management of power sources, as well as organizes the production and sales of power (and heat). Guodian Group is also involved in the investment, construction, operation and management of power businesses in relation to coal, power generation facilities, new energy, transportation, high and new technology, environmental protection industries, technological services and information consulting.

3. PROPOSED ENTERING INTO NEW MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

A. Background

Currently, the Group maintains deposits with Guodian Finance, a financial service provider within the Guodian Group, pursuant to the Finance Services Framework Agreement with Guodian Finance which will expire on 31 December 2017. Save as the deposit services provided by Guodian Finance mentioned above and taking into account that the Company will utilize the credit service and other financial services provided by Guodian Capital Holdings (the parent company of Guodian Finance) and its subsidiaries, the Company entered into new Finance Services Framework Agreement with Guodian Capital Holdings on 9 November 2017 pursuant to the requirements under Chapter 14 and Chapter 14A of the Listing Rules in relation to a major transaction and a continuing connected transaction, pursuant to which, Guodian Capital Holdings and its subsidiaries shall provide finance services to the Group for a term from 1 January 2018 to 31 December 2020.

Based on internal estimates and historical transaction amounts, the Board also proposed to set annual caps for the major transaction and continuing connected transaction contemplated under the Finance Services Framework Agreement for 2018, 2019 and 2020.

B. Historical Transaction Values

The actual transaction values of the continuing connected transaction in relation to the maximum daily deposit balance placed under the Finance Services Framework Agreement with Guodian Finance (including any interest accrued thereon) are RMB1,570.6 million, RMB1,387.9 million, and RMB1,870.5 million, respectively for the years ended 31 December 2014, 2015 and 2016.

LETTER FROM THE BOARD OF DIRECTORS

C. Entering into Finance Services Framework Agreement

Summary of the Terms of the Finance Services Framework Agreement

Date

9 November 2017

Parties

- (1) The Company; and
- (2) Guodian Capital Holdings

Material Terms

Below is a summary of the material terms of the Finance Services Framework Agreement:

The services to be provided by Guodian Capital Holdings and its subsidiaries to the Group include:

- (i) deposit services, including but not limited to agreement deposits, call deposits and time deposits;
- (ii) credit services, including but not limited to fixed asset loans, project financing loans, working capital loans, financing loans for temporary working capital, bill issuance, acceptance and discount, letter of guarantee and accounts receivable factoring; and
- (iii) other finance services, including but not limited to intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds, insurance and insurance brokerage services, handling of entrusted loans and entrusted investment, finance lease (direct lease and sale-and-leaseback) and commercial factoring and financial consultation and training services.

Under the Finance Services Framework Agreement, Guodian Capital Holdings has promised that the terms of the finance services provided to the Group will not be less favorable than those offered to other members of Guodian Group network, or those provided by commercial banks for comparable services.

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The Group uses the finance services provided by Guodian Capital Holdings and its subsidiaries on a voluntary and non-compulsory basis and is not obliged to engage Guodian Capital Holdings for any particular service. Guodian Capital Holdings may, from time to time, enter into separate individual finance services agreement with the Company and its subsidiaries for the provision of specific finance services, subject to the terms and conditions of the Finance Services Framework Agreement.

The Finance Services Framework Agreement has a term from 1 January 2018 to 31 December 2020.

Pricing Policy

The services to be provided under the Finance Services Framework Agreement will be based on the following pricing policies:

- (1) Deposit services: under the same conditions, interest rates applicable to deposit services will not be lower than any of the following: (i) the interest rates offered to other members of Guodian Group by Guodian Capital Holdings for the same category of deposits; or (ii) the interest rates offered to the Company and its subsidiaries by other domestic commercial banks for the same category of deposits.

- (2) Credit services: under the same conditions, interest rates will not be higher than any of the following: (i) the basic interest rates published by the PBOC for the same category of loans; or (ii) the interest rates offered to other members of Guodian Group by Guodian Capital Holdings and its subsidiaries for the same category of loans; or (iii) the interest rates offered to the Company and its subsidiaries by commercial banks for the same category of loans. If service fees are to be charged, the standard of which (i) must comply with the standard rates as promulgated by the PBOC or China Banking Regulatory Commission (中國銀行業監督管理委員會) from time to time (if applicable); or (ii) must not be higher than or must be equal to the interest or service fees charged by commercial banks or other financial institutions for comparable services; or (iii) must not be higher than the interest or service fees charged by Guodian Capital Holdings for comparable services to other members of Guodian Group.

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- (3) Other finance services: the service fees charged (i) must comply with the standard rates as promulgated by the PBOC or China Banking Regulatory Commission from time to time (if applicable); or (ii) must not be higher than or must be equal to the interest or service fees charged by commercial banks or other financial institution for comparable services; or (iii) must not be higher than the interest or service fees charged by Guodian Capital Holdings and its subsidiaries for comparable services to other members of Guodian Group.

The finance department of the Company makes monthly enquiries to commercial banks which provide current deposit services to the Group to obtain up-to-date information of the interest rates for the same category of deposits offered by Guodian Capital Holdings and its subsidiaries. The finance department of the Company also makes enquiries to commercial banks which provide other finance services to the Group every time a loan transaction or other financial services take place, in order to ensure that terms offered by Guodian Capital Holdings are not less favorable than those offered by these commercial banks.

In this manner, the Group ensures that it obtains the best price available from the financial institutions, irrespective whether such financial institutions are connected persons or independent third parties.

D. Proposed Annual Caps for 2018, 2019 and 2020 and Basis of Determination

Deposit Services

The table below sets out the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) for the years ending 31 December 2018, 2019 and 2020.

	Years ending 31 December		
	2018	2019	2020
	<i>(RMB millions)</i>		
Proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon)	3,000	3,000	3,000

The proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) for the years ending 31 December 2018, 2019 and 2020 are calculated after taking into account:

LETTER FROM THE BOARD OF DIRECTORS

- (1) the Group's customers tend to make settlement payments to the Group by making deposits into the Group's account managed by Guodian Capital Holdings and its subsidiaries; because the aggregate amounts of such payments for the Group's products or services can be large at any given point of time, the Group needs to ensure enough cushion for such payments which will become deposits;
- (2) the intention of the Group to increase its use of the deposit services provided by Guodian Capital Holdings and its subsidiaries, in that such services would be favorable to the Group as a whole; and
- (3) the historical transaction amounts in relation to the maximum daily deposit balance placed by the Company with Guodian Finance (including any interest accrued thereon).

E. Reasons for and Benefits of Entering into the Agreement

The Directors consider the following factors as the reasons for, and benefits of, entering into the Finance Services Framework Agreement:

- (1) Institution's risk profile: With a registered capital of RMB3.7 billion, Guodian Capital Holdings is a professional subsidiary authorized by Guodian Group to undertake the integration of financial resources, financial equity investment and financial asset management. Guodian Finance Corporation Limited, its main subsidiary, is a non-bank financial institution licensed and regulated by CBRC. Guodian Finance must comply with all the relevant laws, regulations, requirements and guidelines set out by CBRC and PBOC. These rules include requirements on Guodian Finance's capital adequacy, provision coverage, liquidity and guarantee ratios. Also, as required by the CBRC, Guodian Group, as parent of Guodian Finance and its subsidiaries, must provide sufficient capital to Guodian Finance and its subsidiaries, in the event that Guodian Finance and its subsidiaries face any liquidity problem. Further, Guodian Finance and its subsidiaries are not permitted to have balances of inter-bank borrowings in excess of its total capital. Guodian Finance and its subsidiaries have maintained satisfactory operating results and financial position and have required risk controls and well regulated management. The safety standards of their settlement system are on par with the standards of domestic commercial banks.

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- (2) Addressing certain business needs: Some of the Group's customers, which are also users of Guodian Finance and its subsidiaries' services, tend to make settlement payments owed to the Group by making deposits directly into the Group's accounts managed by Guodian Finance. In order to entice its customers to make timely payments, the Group must cooperate with these customers by taking their payments in this manner.
- (3) Good commercial terms: Guodian Finance offers the Group relatively good commercial terms as compared with a PRC commercial bank. For example, Guodian Finance and its subsidiaries do not charge the Group settlement fees, which are typically charged by PRC commercial banks. Also, the deposit rates the Group received from Guodian Finance and its subsidiaries are not lower than the rates it would receive from other PRC commercial banks. Similarly, in practice, Guodian Finance often offers relatively lower loan interest rates, as compared with a typical PRC commercial bank. The collaboration between the Group and Guodian Capital Holdings and its subsidiaries may reduce finance costs, increase interest income from deposits, lower settlement costs and help to control risks for the Group.
- (4) The Group's ability to choose its service providers: By entering into a financial services agreement with Guodian Capital Holdings, the Group opens another channel of service providers. Not only can the Group work with Guodian Capital Holdings or its subsidiaries, the Group is also not prevented from choosing and working with other financial and insurance institutions, including PRC commercial banks. The Group has the freedom to work with whichever institution it chooses, and to obtain whatever the best terms it is offered. In sum, the agreement only enables the Group to have more service provider, but does not prohibit the Group from doing business with other financial and insurance institutions.

The Directors are of the view that the transactions contemplated under the Finance Services Framework Agreement do not have negative effects on the assets or liabilities of the Group.

F. Listing Rules Implications

Guodian Group is a connected person of the Company. Given that Guodian Capital Holdings and its subsidiaries are subsidiaries of Guodian Group, Guodian Capital Holdings and its subsidiaries are connected persons of the Company under Rule 14A.07(4) of the Listing Rules. The transactions between the Group and Guodian Capital Holdings and its subsidiaries constitute connected transactions of the Company under the Listing Rules.

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As one or more of the applicable percentage ratios (other than profit ratio) for the proposed annual caps for maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) exceeds 5.0%, the proposed annual caps for maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as one or more of the applicable percentage ratios (as defined under the Listing Rules) for the proposed annual caps for maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) exceeds 25.0% but is below 100.0%, the deposit services provided by Guodian Capital Holdings and its subsidiaries to the Group constitute major transactions of the Company, and shall comply with the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Guodian Group and its associates directly and indirectly through GD Power hold an aggregate of 4,754,000,000 Shares, which represent approximately 78.40% of the issued share capital of the Company; Guodian Group and its associates will abstain from voting on the resolution in relation to the entering into of Finance Services Framework Agreement and the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) thereunder at the EGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is involved in or interested in Finance Services Framework Agreement and the deposit service of Guodian Capital Holdings thereunder which requires such Shareholder to abstain from voting on the resolution in relation to the entering into of Finance Services Framework Agreement and the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) thereunder at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders for the fairness and rationality in respect of the deposit service under the Finance Services Framework Agreement and the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) after considering the recommendations of Independent Financial Adviser on the same matter. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM THE BOARD OF DIRECTORS

As the highest applicable percentage ratio is higher than 0.1% but lower than 5.0%, the proposed annual caps of the credit services and other finance services under the Finance Services Framework Agreement entered into between the Company and Guodian Capital Holdings shall comply with the reporting and announcement requirements, but shall be exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

G. Directors' Opinion

The Directors (excluding Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun) confirm that the terms of the Finance Services Framework Agreement (including the proposed annual caps for maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon) for the years ending 31 December 2018, 2019 and 2020) are on normal commercial terms that are fair and reasonable, and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Company, and were and are in the interest of the Company and the Shareholders as a whole.

Directors associated with Guodian Group and its subsidiaries (other than the Group) and other associates of Guodian Group and its subsidiaries (other than the Group), namely Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun, as the connected Directors, have abstained from voting regarding entering into the Finance Services Framework Agreement. Except as disclosed above, none of the Directors has any material interests in the Finance Services Framework Agreement and the proposed annual caps under such agreement and hence no other Director has abstained from voting on such board resolutions.

H. Information of the Parties

The Group

The Group is primarily engaged in the provision of integrated clean technology solutions and services within the PRC through its two main business segments, with established leading or dominant market positions in the environmental protection, energy conservation and renewable energy equipment manufacturing and related service industries in the PRC.

Guodian Capital Holdings

Guodian Capital Holdings was established in November 2009 as a limited company in the PRC, and is mainly engaged in the businesses of financial investment, asset management, entrusted management of assets and consultancy services. Guodian Capital Holdings is a subsidiary of Guodian Group.

LETTER FROM THE BOARD OF DIRECTORS

4. PROPOSED RE-APPOINTMENT OF PRC AUDITOR

An ordinary resolution will be proposed at the EGM to consider and approve the re-appointment of Union Power Certified Public Accountant* (中審眾環會計師事務所) as the PRC auditor of the Company for 2017 with the term of office until the conclusion of the next annual general meeting of the Company and to authorize the Board to determine its remuneration.

5. PROPOSED AMENDMENTS TO THE ARTICLES, THE RULES OF PROCEDURES OF THE GENERAL MEETING AND THE RULES OF PROCEDURES OF THE BOARD OF DIRECTORS

Reference is made to the announcement of the Company dated 9 November 2017, in relation to proposed amendments to the Articles, the Rules of Procedures of the General Meeting and the Rules of Procedures of the Board of Directors.

In accordance with the Guidance for Articles of Association of Listed Companies (revised in 2016) (《上市公司章程指引(2016修訂)》) promulgated by the CSRC and in light of the Company's internal management requirements, the Board proposes to make amendments to the current Articles. In order to further regulate the operating mechanism of the general meeting of the Company to accommodate the latest requirements of the Articles, the Board proposes to make amendments to the Rules of Procedures of the General Meeting and the Rules of Procedures of the Board of Directors.

Amendments stated above are subject to the approval of Shareholders on the annual general meeting. Revised Articles, Rules of Procedures of the General Meeting and Rules of Procedures of the Board of Directors shall come into effect on the date of approval. Details of these proposed amendments are included in Appendix II as set out in this circular.

6. EGM

Notice of the EGM

The Company will convene the EGM at the Conference Room, 3rd Floor, Building No. 1, Block No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing, the PRC at 4:00 p.m. on Friday, 29 December 2017, to approve, among others, (1) proposed renewal of continuing connected transactions; (2) entering into new major transactions and continuing connected transactions; (3) Proposed Re-appointment of PRC Auditor; and (4) proposed amendments to the Articles, the Rules of Procedures of the General Meeting and Rules of Procedures of the Board of Directors. For further details, please refer to the notice of the EGM set out at the end of this circular.

LETTER FROM THE BOARD OF DIRECTORS

Closure of register of members

The register of members of the Company will be closed from Thursday, 30 November 2017 to Friday, 29 December 2017, 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 No. 1, Block No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing, PRC no later than 4:30 p.m. on Wednesday, 29 November 2017.

Reply slip and Revised Proxy Form

If you are eligible and intend to attend the EGM, please complete and return the accompanying reply slip in accordance with the instructions printed thereon as soon as possible and in any event not later than 20 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 accompanying Revised 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 Revised Proxy Form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you wish.

Voting by poll at the EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions at the general meeting will 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 authorized 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.

LETTER FROM THE BOARD OF DIRECTORS

Recommendations

The Board considers that all the resolutions 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 favor of the resolutions set out in the notice of the EGM.

Other Recommendations

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 26 to 27 of this circular, and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 55 in respect of the proposed renewal of continuing connected transactions, proposed entering into new major transactions and continuing connected transactions.

Yours faithfully,

By Order of the Board

Guodian Technology & Environment Group Corporation Limited*

Mr. CHEN Dongqing

Chairman

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

12 December 2017

To the Independent Shareholders

Dear Sir/Madam,

We refer to the circular of the Company to the Shareholders dated 12 December 2017 (the “**circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as given to them in the sections headed “Definitions” of the circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the Guodian Group 2018 Supplemental Agreement (including the proposed new annual caps for the continuing connected transactions contemplated thereunder) and the Finance Services Framework Agreement (including the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon)) are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Guodian Group 2018 Supplemental Agreement (including the proposed new annual caps for the continuing connected transactions contemplated thereunder) and the Finance Services Framework Agreement (including the Proposed Annual Caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon)).

We wish to draw your attention to the letter of advice from Gram Capital, as set out on pages 28 to 55 of the circular and the section headed “Letter from the Board of Directors” as set out on pages 1 to 25 of the circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Guodian Group 2018 Supplemental Agreement (including the proposed new annual caps for the continuing connected transactions contemplated thereunder) and the Finance Services Framework Agreement (including the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon)) and the opinion of Gram Capital as stated in its letter of advice, we consider that the Guodian Group 2018 Supplemental Agreement (including the proposed new annual caps for the continuing connected transactions contemplated thereunder) and the Finance Services Framework Agreement (including the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon)) are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve, among others, the Guodian Group 2018 Supplemental Agreement (including the proposed new annual caps for the continuing connected transactions contemplated thereunder) and the Finance Services Framework Agreement (including the proposed annual caps for the maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon)) to be proposed at the EGM.

* *For identification purpose only*

Yours faithfully,

Independent Board Committee

Mr. SHEN Xiaoliu
Independent
non-executive Director

Mr. QU Jihui
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 Guodian Transactions and Deposit Services 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

12 December 2017

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND ENTERING INTO NEW MAJOR TRANSACTIONS AND 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 Guodian Group Master Agreement (as supplemented by the Guodian Group 2018 Supplemental Agreement) (the “**Guodian Transactions**”) and deposit services under Finance Services Framework Agreement (the “**Deposit Services**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 12 December 2017 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.

As disclosed in the Company’s circular dated 3 December 2014, both of the Guodian Group Master Agreement and the Finance Services Framework Agreement with Guodian Finance have a current term due to expire on 31 December 2017.

On 9 November 2017, the Company entered into the Finance Services Framework Agreement with Guodian Capital Holdings, pursuant to which, Guodian Capital Holdings and its subsidiaries shall provide finance services (including the Deposit Services) to the Group for a term from 1 January 2018 to 31 December 2020.

LETTER FROM GRAM CAPITAL

On 20 November 2017, the Company entered into the Guodian Group 2018 Supplemental Agreement with Guodian Group, to extend the term of the Guodian Group Master Agreement to 31 December 2018.

With reference to the Board Letter, the Deposit Services constitute non-exempted continuing connected transactions and major transactions of the Company, while the Guodian Transactions constitute non-exempted continuing connected transactions of the Company. The Deposit Services and Guodian Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under the Listing Rules.

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 terms of the Deposit Services and Guodian Group 2018 Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Deposit Services and Guodian Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Deposit Services, the Guodian Group 2018 Supplemental Agreement and transactions contemplated thereunder 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, Mr. Graham Lam was the person signing off (i) the opinion letter from the independent financial adviser contained in the Company's circular dated 10 March 2016 in respect of (a) discloseable transaction and connected transaction in relation to establishment of a joint venture company; (b) renewal of certain continuing connected transactions and adding a new category of continuing connected transaction; and (c) very substantial disposal and connected transaction; (ii) the opinion letter from the independent financial adviser contained in the Company's circular dated 25 August 2016 in respect of decrease in investment in a joint venture company in the PRC; (iii) the opinion letter from the independent financial adviser contained in the Company's circular dated 7 December 2016 in respect of discloseable and connected transaction in relation to the disposal of entire issued share capital in a target company; and (iv) the opinion letter from independent financial adviser contained in Longyuan Power's circular dated 10 November 2017 in respect of renewal of continuing connected transactions for Longyuan Power ^(Note). 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 hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Note: Based on public information, Guodian Group, being a controlling shareholder of the Company, is also a controlling shareholder of Lougyuan Power.

LETTER FROM GRAM CAPITAL

Besides that, apart from the advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

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 are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Guodian Group Master Agreement (as supplemented by Guodian Group 2018 Supplemental Agreement) and Finance Services Framework Agreement. 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 Group. 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 as contained in the Circular 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, Guodian Group, Guodian Capital Holdings or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Deposit Services and Guodian 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

LETTER FROM GRAM CAPITAL

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.

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 each of the Deposit Services and Guodian Transactions, we have taken into consideration the following principal factors and reasons:

Business overview of the Group

As referred to in the Board Letter, the Group is primarily engaged in the provision of integrated clean technology solutions and services within the PRC through its two main business segments, with established leading or dominant market positions in the environmental protection, energy conservation and renewable energy equipment manufacturing and related service industries in the PRC.

Set out below is the consolidated financial information of the Group for the six months ended 30 June 2017 and the two years ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”) and the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”):

	For the six months ended 30 June 2017	For the year ended 31 December 2016	For the year ended 31 December 2015	Change from 2015 to 2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)	(audited)	(audited)	
Revenue from continuing operations	4,989,689	15,775,318	19,970,161	(21.01)
– Environmental protection	2,219,607	5,912,695	7,750,030	(23.71)
– Energy conservation solutions	423,880	1,400,543	3,124,619	(55.18)
– Wind power products and services	2,192,493	8,038,787	8,617,609	(6.72)
– All others	153,709	423,293	477,903	(11.43)
Profit from operations for the period/ year	619,828	998,494	910,950	9.61

LETTER FROM GRAM CAPITAL

	As at 30 June 2017 <i>RMB'000</i> (unaudited)	As at 31 December 2016 <i>RMB'000</i> (audited)	As at 31 December 2015 <i>RMB'000</i> (audited)	Change from 2015 to 2016 %
Cash at bank and on hand	2,713,437	4,603,662	3,069,769	49.97
Trade and bills receivables	13,394,957	14,036,574	13,912,696	0.89

From the above table, we noted that the Group's revenue decreased by approximately 21.01% from 2015 to 2016, which was mainly due to the decrease in business volume of the various business sectors as a result of industry and market impact. The Group recorded an increase of approximately 9.61% in profit from operations for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015.

As at 30 June 2017, the Group recorded cash at bank and on hand of approximately RMB2.71 billion and trade and bills receivables of approximately RMB13.39 billion.

(A) THE FINANCE SERVICES FRAMEWORK AGREEMENT

Information on Guodian Capital Holdings and Guodian Finance

With reference to the Board Letter, Guodian Capital Holdings was established in November 2009 as a limited company in the PRC, and is mainly engaged in the businesses of financial investment, asset management, entrusted management of assets and consultancy services. Guodian Capital Holdings is a subsidiary of the Guodian Group.

As confirmed by the Directors, to the best of their knowledge, Deposit Services will be provided by Guodian Finance, being a subsidiary of Guodian Capital Holdings. Upon our further request, we understood from the Directors that Guodian Finance was established in December 2004 as a limited company in the PRC, and is engaged in the provision of, among other things, deposit services, loan services, entrusted loan services and entrusted investment services in the PRC. Guodian Finance is required to operate in compliance with Administration of the Finance Companies of Enterprise Groups Procedures (the "Measures") issued by China Banking Regulatory Commission ("CBRC") to regulate the operation of group financing companies and reduce the possible financial risk. We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, reporting to CBRC, etc.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Deposit Services

With reference to the Board Letter, the Directors considered the certain factors as the reasons for, and benefits of, entering into the Finance Services Framework Agreement, which include (i) addressing certain business needs of the Group; (ii) good commercial terms offered by Guodian Finance; (iii) institution's risk profile of Guodian Finance; and (iv) the Group's alternative for financing services.

Pursuant to the Finance Services Framework Agreement, under the same conditions, interest rates applicable for deposit services will not be lower than any of the following: (i) the interest rates offered to other members of Guodian Group network by Guodian Capital Holdings for the same category of deposits; or (ii) the interest rates offered to the Company and its subsidiaries by other domestic commercial banks for the same category of deposits.

As mentioned above, Guodian Finance is a non-banking financial institution authorised and regulated by the PBOC and CBRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. Pursuant to Guodian Finance's article and association, if Guodian Finance has any financial difficulties, Guodian Group has the obligation to take all required steps, such as to increase the capital of Guodian Finance to safeguard the interest of the Group.

In light of the above reasons, in particular:

- (i) under the same conditions, interest rates applicable for deposit services will not be lower than any of the following: (a) the interest rates offered to other members of Guodian Group network by Guodian Capital Holdings for the same category of deposits; or (b) the interest rates offered to the Company and its subsidiaries by other domestic commercial banks for the same category of deposits;
- (ii) pursuant to the Guodian Finance's article and association, if Guodian Finance has any financial difficulties, Guodian Group has the obligation to take all required steps, such as to increase the capital of Guodian Finance to safeguard the interest of the Group,

we consider the entering into of the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

LETTER FROM GRAM CAPITAL

(1) **Principal terms of the Deposit Services**

The following table tabulates a summary of the major terms of the Deposit Services, details of Finance Services Framework Agreement (including Deposit Services) are set out under section headed “Summary of the Terms of the Finance Services Framework Agreement” of the Board Letter:

Date	9 November 2017
Parties	The Company and Guodian Capital Holdings
Subject of the transaction	Deposit service, including but not limited to agreement deposits, call deposits and time deposits
Pricing policy	Deposit services: under the same conditions, interest rates applicable for deposit services will not be lower than any of the following: (i) the interest rates offered to other members of Guodian Group network by Guodian Capital Holdings for the same category of deposits; or (ii) the interest rates offered to the Company and its subsidiaries by other domestic commercial banks for the same category of deposits.

Under the Finance Services Framework Agreement, Guodian Capital Holdings promised that the terms of the finance services provided to the Group will not be less favourable than those offered to other members of Guodian Group network, or those provided by commercial banks for comparable services.

With reference to the Board Letter, the finance department of the Company makes, among other things, monthly enquiries to commercial banks which provide current deposit services to the Group to obtain up-to-date information of the interest rates for the same category of deposits offered by Guodian Finance. Furthermore, we also understood from the Directors that, before placing deposits into Guodian Finance, the Company’s finance department would monitor the maximum daily deposit balance of the Deposit Services to ensure the actual deposit amount would not exceed the Deposit Caps (as defined below).

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained four deposit records of the Group showing the interest rates on deposits received from (a) PRC commercial banks; and (b) Guodian Finance for similar period. We also obtained four deposit records of other member companies of Guodian Group network (the “**Other Members’ Deposit Records**”)^(Note) showing the interest rates on deposits received from Guodian Finance for similar period. We noted that, during the similar period, the interest rate provided by Guodian Finance to the Group (i) was not lower than the interest rates for deposits offered by PRC commercial banks; and (ii) was not lower than the interest rates for the same type of deposits provided by Guodian Finance to other member companies of Guodian Group network (“**Our Findings on Interest Rates**”).

In addition, we discussed with the Directors regarding the above measures and we consider that the above measures are sufficient for the Company to monitor the transaction under the Deposit Services. Having also considered that (i) the Group placed deposit to both Guodian Finance and PRC commercial banks; (ii) Our Findings on Interest Rates; and (iii) the existing deposit caps for the two years ended 31 December 2016 were not exceeded, we do not doubt the effectiveness of implementation of the above measures.

The Group uses the finance services provided by Guodian Capital Holdings and its subsidiaries on a voluntary and non-compulsory basis and is not obliged to engage Guodian Capital Holdings for any particular service.

In light of all of the above, we concur with the Directors that the terms of the Finance Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Note: Due to confidentiality concern, depositors’ identities under the Other Members’ Deposit Records were hidden. However, as confirmed by Guodian Capital Holdings’ staff in writing, the depositors relating to Other Members’ Deposit Records were member companies of Guodian Group network.

LETTER FROM GRAM CAPITAL

(2) **Basis of the proposed annual caps under the Deposit Services**

The table below shows the historical amounts for the continuing connected transactions under the Finance Services Framework Agreement and the existing/proposed annual caps:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ending 31 December 2017
Historical transaction amounts	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Maximum daily deposit balance (including any interest accrued thereon)	1,387.9	1,870.5	1,940 <i>(Note)</i>
Existing annual caps for the Deposit Services Provided by Guodian Finance (including any interest accrued thereon)	2,000	2,000	2,000
Utilisation rate (%)	69.4	93.5	97.0
	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
	<i>(in RMB million)</i>	<i>(in RMB million)</i>	<i>(in RMB million)</i>
Proposed annual caps for the Deposit Services Provided by Guodian Capital Holdings (including any interest accrued thereon) (the “ Deposit Caps ”)	3,000	3,000	3,000

Note: the figure was for the ten months ended 31 October 2017

With reference to the Board Letter, the proposed annual caps for each of the three years ending 31 December 2020 are calculated after taking factors as set out in sub-section headed “Deposit Services” of the Board Letter.

According to the above table, we noted that the relevant utilisation rate of the previous annual caps were approximately 69.4% and 93.5% for the year ended 31 December 2015 and 31 December 2016 respectively.

LETTER FROM GRAM CAPITAL

We noted from the 2017 Interim Report that as at 30 June 2017, (i) total amount of Group's cash at bank and on hand amounted to approximately RMB2,713.4 million (as at 31 December 2016: approximately RMB4,603.7 million); and (ii) trade and bills receivables amounted to approximately RMB13,395.0 million (as at 31 December 2016: approximately RMB14,036.6 million). The sum of aforesaid two items (the "Sum") amounted to approximately RMB16,108.4 million (as at 31 December 2016: approximately RMB18,640.3 million). The Deposit Cap, which indicates the possible demand on deposit services, for the year ending 31 December 2018 is less than the Sum.

Having considered that (i) the utilisation rate for each of the two years ended 31 December 2016; and (ii) the Deposit Cap, which indicates the possible demand on deposit services, for the year ending 31 December 2018 is less than the Sum, we consider that the Deposit Cap for the year ending 31 December 2018 is fair and reasonable.

As advised by the Directors, it is difficult to forecast the total cash level for the three years ending 31 December 2020. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Deposit Caps for the three years ending 31 December 2020. Accordingly, we consider that the Deposit Caps for the two years ending 31 December 2020, which are the same as the Deposit Cap for the year ending 31 December 2018, are fair and reasonable.

(3) 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 maximum values of the Deposit Services must be restricted by the Deposit Caps for the period concerned under the Finance Services Framework Agreement; (ii) the terms of the Deposit Services under the Finance Services Framework Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Finance Services Framework Agreement must be included in the Company's subsequent published annual reports and financial accounts. 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 Deposit Services (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the maximum amounts of the Deposit Services are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of the Finance Services Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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With the stipulation of the above 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 contemplated under the Finance Services Framework Agreement and hence the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Deposit Services

Having taken into account that above factors and reasons, we are of the opinion that (i) the Deposit Services is entered into 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; and (ii) the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Deposit Services and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

(B) THE GUODIAN TRANSACTIONS

(1) Background of the Guodian Transactions

Information on the Guodian Group

With reference to the Board Letter, Guodian Group is a comprehensive power group with its key focus on power generation. It is principally engaged in the development, investment, construction, operation and management of power sources, as well as organizes the production and sales of power (and heat). Guodian Group is also involved in the investment, construction, operation and management of power businesses in relation to coal, power generation facilities, new energy, transportation, high and new technology, environmental protection industries, technological services and information consulting.

On 28 August 2017, Guodian Group was informed by the SASAC of the approval of the joint reorganisation of Guodian Group and Shenhua Group by consolidation (the “**Consolidation**”). Shenhua Group will be renamed as China Energy Investment Corporation Limited (“**China Energy Investment**”) to absorb Guodian Group as the parent company after the reorganisation. After the Consolidation becoming effective, the controlling shareholder of the Company will be changed from Guodian Group to China Energy Investment, while the actual controller remains to be the SASAC.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the renewal

With reference to the Board Letter, Guodian Group and its subsidiaries (other than the Group) have been important clients and suppliers for the Group. Guodian Group is one of the five largest power companies in China; and two of its subsidiaries, GD Power and Longyuan Power, are listed companies and leaders in the coal-fired power industry and the wind power industry respectively. The Company has worked with Guodian Group's energy generation activities, providing environmental protection and energy conservation services to the coal-fired generation facilities owned or operated by Guodian Group and its subsidiaries (other than the Group), as well as providing wind power generation products used in Guodian Group's renewable energy platform. Upon the merger of Guodian Group and Shenhua Group, it is expected that the demand for products and services provided by the Group from the new group will be increasing gradually and continuously. Meanwhile, the Group will enjoy further benefits from the provision of products and services by the new group.

As confirmed by the Directors, as the Guodian Transactions had been entered into in the ordinary and usual course of business of the Group and on a frequent and regular 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 Guodian Group's successful bidding regarding contract value over certain thresholds under the Guodian Transactions which are selected through bidding process with the specific timetable. Accordingly, the Directors are of the view that the Guodian 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 Guodian 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.

(2) **Principal terms of the Guodian Group Master Agreement (as supplemented by the Guodian Group 2018 Supplemental Agreement)**

The following table tabulates a summary of the major terms of the Guodian Group Master Agreement as extracted from the Board Letter:

Date	20 November 2017
Parties	Guodian Group and the Company

LETTER FROM GRAM CAPITAL

Subject of the transaction

Pursuant to the Guodian Group Master Agreement, the goods and services provided by the Group to the Guodian Group and its subsidiaries (other than the Group) (the “**Sale Products & Services**”) mainly include:

Environmental protection and energy conservation solutions services segment:

Including (i) environmental protection products (including ash removal, water treatment and denitrification catalyst); (ii) energy conservation products (including plasma ignition and combustion stabilization equipment); (iii) environmental protection services (including desulfurization concession service, denitrification concession service, desulfurization EPC service, denitrification EPC service and water treatment build-own-transfer service); and (iv) energy conservation services (including steam turbine flow passage improvement service and energy management contracts); and

Renewable energy equipment manufacturing and integrated solutions services segment:

Including (i) WTGs and their parts and components; and (ii) wind power services including wind farm EPC services.

Goods and services provided by the Guodian Group and its subsidiaries (other than the Group) to the Group mainly include: the supply of desulfurization and denitrification equipment, water, electricity, gas and consulting services (the “**Purchase Products & Services**”).

LETTER FROM GRAM CAPITAL

The Group and the Guodian Group and its subsidiaries (other than the Group) will enter into separate agreements which set out the specific scope of products and services, terms and conditions of providing such services and products according to the principles set out in the Guodian Group Master Agreement, and otherwise on normal commercial terms.

When the Group is the supplier, if the terms and conditions of similar products and services offered by an independent third party are the same as those offered by the Group, the Guodian Group will give priority in sourcing the requisite products and services from the Group. When Guodian Group is the supplier, Guodian Group will provide products or services to the Group with terms and conditions comparable to, or better than, those provided to an independent third party.

The Group would be given priority by Guodian Group and its subsidiaries (other than the Group) in the provision of the relevant products and services, provided that the terms and conditions offered by independent third parties to the Guodian Group and its subsidiaries (other than the Group) are no more favorable than those offered by the Group for the same products or services.

Pricing policy

Products to be provided under the Guodian Group Master Agreement will be based on the following pricing policy (Applicable Standard Products Pricing Policy):

- (i) government-prescribed price (including any price prescribed by any relevant local government, if applicable);
- (ii) where there is no government-prescribed price but there is a government guidance price, then the government-guidance price;

LETTER FROM GRAM CAPITAL

- (iii) where there is neither a government-prescribed price nor a government-guidance price, the market price; or
- (iv) where none of the above is applicable or where it is not practical to apply the above pricing policies, then the price agreed between the relevant parties shall be based on arm's length negotiation and shall be the reasonable costs incurred in providing the products plus reasonable profits.

Services to be provided under the Guodian Group Master Agreement will be based on the following pricing policy (i.e. Applicable Standard Services Pricing Policy): (i) the bidding price where the bidding process is required; or (ii) where no bidding process is involved, the market price.

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.

Details and further elaboration of the pricing policy under the Guodian Group Master Agreement are set out in the section headed "Renewal of Guodian Group Master Agreement" in the Board Letter.

Payment terms

Payment and settlement for transactions under the Guodian Group Master Agreement 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.

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As the Guodian Group Master Agreement will expire on 31 December 2017, the Guodian Group 2018 Supplemental Agreement was entered into on 20 November 2017 between the Company and Guodian Group, subject to the approval by the Independent Shareholders, to extend the current term of the Guodian Group Master Agreement to 31 December 2018. Save as (i) the Sale Cap (as defined below) and the Purchase Cap (as defined below) for the year ending 31 December 2018; and (ii) the extension of term of the Guodian Transactions to 31 December 2018, all other material terms and conditions of the Guodian Group Master Agreement remained unchanged.

Further details of the Guodian Group Master Agreement and the Guodian Group 2018 Supplemental Agreement were set out under the section headed “Renewal of Guodian Group Master Agreement” of the Board Letter.

To ensure that the considerations for the continuing connected transactions of the Group, including those under the Guodian Group Master Agreement (as supplemented by the Guodian Group 2018 Supplemental Agreement), are on normal commercial terms and that the terms (in particular, pricing terms including the definition of “reasonable costs” and “reasonable profits” used in determining appropriate price) thereunder are complied with, the Company adopted the supervision and internal control procedures as detailed in the section headed “Internal procedures” of the Board Letter.

With reference to the Board Letter, when the Group is the service receiver, according to relevant laws in the PRC and the Group’s internal rules on bidding, for the service contracts with a value over certain thresholds (including, such as, construction contracts with an estimated price of more than RMB2,000,000; service contracts such as exploration, design, and construction supervision with an estimated price of more than RMB500,000), the bidding process will be used, and for the service contracts with a price under the threshold, the non-bidding process for procurement (e.g. quotation, competitive negotiation and sole-source) will be used. When the Group is the service provider, the applicability of bidding process will depend on the connected person’s internal rules on bidding, whereby monetary value thresholds will also usually be applied. The Group ensures that the bidding price to be submitted by the Group is on a normal commercial term by having the department or subsidiary involved in the specific transaction and the finance department to estimate the Group’s reasonable costs and reasonable profits, and thereby conducting arm’s length negotiations with the purchaser, regardless whether the purchaser is a connected person or an independent third party.

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Sale Transactions

For our due diligence purpose, we obtained over 10 sales contracts and service contracts entered into between the Group and Guodian Group/independent third party(ies) regarding the provision of the Sale Products & Services by the Group to the Guodian Group (the “**Sale Transactions**”) and by the Group to independent third party(ies) and (if supplier was selected through open tender process) their respective bidding documents, of which two sales contracts and two service contracts (the “**Supply Contracts**”) showing the provision of similar products/services under the Sale Transactions by the Group to Guodian Group and independent third party(ies). We noted from the Supply Contracts that (i) major pricing terms of the Supply Contracts were in line with those of the respective bidding documents; (ii) price offered to Guodian Group was not lower than those offered to independent third party; and (iii) if the supplier was selected through open tender process, (a) payment terms, default and indemnity terms were in line with requirement of the respective bidding documents; and (b) the Supply Contracts were awarded based on winning bid basis.

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.

Purchase Transactions

For our due diligence purpose, we obtained two purchase contracts and two service contracts (the “**Purchase Contracts**”) entered into between the Group and Guodian Group regarding the provision of Purchase Products & Services by the Guodian Group/independent third party(ies) to the Group (the “**Purchase Transactions**”) and (if supplier was selected through open tender process) their respective bidding documents or price information offered by independent third party(ies) to the Group. We noted from the aforesaid documents that (i) major pricing terms of the Purchase Contracts were in line with those of the respective bidding documents; (ii) if Guodian Group’s member won the bidding or there was no open tender process for selecting supplier, price offered by Guodian Group was not higher than those offered by independent third party; (iii) if the supplier was selected through open tender process, (a) payment terms, default and indemnity terms were in line with requirement of the respective bidding documents; and (b) the Purchase Contracts were awarded based on winning bid basis.

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Having considered the above factors, we concur with the Directors that the terms of the Guodian Group 2018 Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Basis of the proposed annual caps

I. The Sale Cap

The table below shows the historical amounts for the Sale Transactions under the Guodian Group Master Agreement and the existing/proposed annual caps:

	For the year ended 31 December 2015 <i>RMB' million</i>	For the year ended 31 December 2016 <i>RMB' million</i>	For the year ending 31 December 2017 <i>RMB' million</i>
The Sale Transactions			
Historical amounts	12,154.90	10,950.80	5,716.4 <i>(Note)</i>
Existing annual caps	28,600.00	29,000.00	29,500.00
Utilization rate	42.5%	37.8%	N/A
			For the year ending 31 December 2018 <i>RMB' million</i>
Proposed annual cap (the “ Sale Cap ”)			29,000.00

Note: the figure was for the ten months ended 31 October 2017

With reference to the Board Letter, the Sale Cap for the year ending 31 December 2018 was calculated after taking into account of various factors, details of which are set out in the section headed “Proposed Annual Caps for 2018 and Basis of Determination” of the Board Letter.

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For our due diligence purpose, we noted that the PRC government issued various policies which are in favour of wind power industry and environment protection industry, including:

- (i) In December 2016, National Development and Reform Commission of the PRC and National Energy Administration of the PRC jointly published 《電力發展“十三五”規劃(2016–2020)》 (Energy Sector Development in the 13th Five-Year Plan (2016–2020)*, the “**Plan**”). It successively rolled out a number of energy policies, offering significant guidance for the development of power industry. On the whole, the PRC’s government values environmental protection and proactively makes efforts to cope with global climate change, further restricts the consumption of coal, and enhances the use of clean energy. In the meantime, with the deepening of market-oriented reform on the power system, the markets of electricity sales and distribution and integrated energy services will be further opened in an orderly manner. According to the Plan, among other things, it emphasizes on improving the PRC’s electricity system structure by means of accelerating development of clean energy power and clean use of fossil energy. It set targets, including but not limited to, the installed capacity of wind power are expected to reach 210,000,000 KW (or 210 GW) by 2020, implying an expected compound annual growth rate of approximately 9.9% from 2015 to 2020. The Plan also mentioned to set strict control measure in development of coal-fired power projects. During the 13th Five-Year period, it targets to cancel and postpone development of coal-fired power projects with installed capacity of not less than 150,000,000 KW (or 150 GW) and maintain the installed capacity of the coal-fired power at not more than 1,100,000,000 KW (or 1,100 GW) by 2020. The proportion of coal-fired power installed capacity will be reduced from 59% in 2015 to 55% in 2020.
- (ii) The State Council of the PRC issued the Comprehensive Work Plan for Energy Conservation and Emission Reduction in the “Thirteenth Five-year Plan” Period (“**Work Plan**”), setting the main targets and key tasks for the work of energy conservation and emission reduction in the 13th Five-Year Plan and generally deploying the national work of energy conservation and emission reduction. Main targets and key tasks includes (a) by 2020, the total energy consumption per RMB10,000 GDP to be 15% lower than that of 2015, and the total energy consumption to be controlled within 5 billion tonnes standard coal; (b) the national total COD, ammonia nitrogen, sulfur dioxide and nitrogen oxides emissions will be controlled within 20.01 million tonnes, 2.07 million tonnes, 15.80 million tonnes and 15.74 million tonnes, representing a decrease of 10%, 10%, 15% and 15% respectively as compared to those in 2015; (c) the total amount of volatile organic compounds emitted in China will be decreased by more than 10% from that of 2015.

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The Work Plan proposes, among other things, (a) the promotion and development of key energy-saving projects; (b) the implementation of key energy-saving projects such as comprehensive upgrading of coal-fired boiler energy saving system, upgrading of motor system energy efficiency, utilization of waste heat for people, green lighting, energy-saving technology and equipment industrialization demonstration, energy system optimization, coal consumption reduction and replacement, comprehensive energy efficiency upgrading of key energy consumers, promotion of contract-based energy management, urbanization energy conservation upgrading and reconstruction, natural gas distributed energy demonstration, etc.; (c) the promotion of the comprehensive cascade utilization of energy and the achievement of energy conservation up to 300Mton standard coal; (d) the construction of key projects for the emission reduction of main air pollutants; (e) the implementation of super-low emission and energy conservation reconstruction projects for coal-fired power plants, the realization of super-low emission reconstruction for accumulatively 580 million kw units by 2020 and the phasing out, within the specified time, of 20 million kw units with inferior production capacity and which do not conform to the applicable compulsory standards; (f) the implementation of pollution control projects for emission fully in line with standards in key industries such as electricity, steel, cement, petrochemical, flat glass, non-ferrous metal, etc.. According to the Work Plan, by 2020, the production value of the energy conservation service industry should be doubled of that of 2015.

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

Upon our request, we obtained a list showing the calculation of the proposed annual cap regarding the Sale Transactions for the year ending 31 December 2018. We noted that the Company's subsidiaries provided an estimation of the forecasted sale amount for the year ending 31 December 2018. As advised by the Directors, the forecasted sale amount was approved by management of each of the Company's subsidiary before submitting to the Company for consolidation and review.

We noted that the Sale Cap for the year ending 31 December 2018 is substantially larger than revenue of the Group for the year ended 31 December 2016 and 2015. As advised by the Directors, when consolidating and reviewing sale amount as submitted by the Company's subsidiaries, the Directors consider the following factors:

- (i) amounts to be recognized during 2018 under signed contracts;

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- (ii) possible demand on the Sale Products & Services by Guodian Group;
- (iii) possible demand on the Sale Products & Services by Shenhua Group/China Energy Investment as the result of Consolidation.

Amounts to be recognized during 2018 under signed contracts with Guodian Group

We understood from the Directors the sales estimation of the Sale Products & Services to Guodian Group was determined based on previously signed contracts, of which transactions contemplated thereunder were still in execution. The Directors expected to recognize the amount of approximately RMB5.9 billion (including approximately RMB1.6 billion with Longyuan Power and its subsidiaries) for the year ending 31 December 2018 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 income to be recognized in 2018, 2019 and 2020. We noted from the detailed breakdown that the sales estimation of RMB5.9 billion was in line with of the total estimated income to be recognized in 2018.

Possible demand on the Sale Products & Services by Guodian Group

We understood from the Directors that certain projects (including various power generating units projects, desulfurization concession service, denitrification concession service, desulfurization EPC service, etc.) were determined by the Group based on their understanding and preliminary assessment on such projects or relevant targets. The Directors advised us that, based on their understanding, the service providers and equipment/products suppliers would be selected by way of bidding. Based on the Directors' and management's experience and knowledge, they expected the Company to participate aforementioned bidding procedures and estimated to record income of approximately RMB13.2 billion. Partial components of the aforesaid estimated income (i.e. approximately RMB13.2 billion) are set out below:

Of the estimated income of RMB13.2 billion, RMB3.7 billion was estimated as demand on wind power equipment or relevant services by Longyuan Power. According to the announcement of Longyuan Power dated 9 November 2017 (the "**Longyuan Announcement**"), Longyuan Power signed a master agreement with Guodian Group on 9 November 2017 (the "**Longyuan Agreement**"). Pursuant to the Longyuan Agreement, Guodian Group (including the Company) would provide products and services to Longyuan Power and its subsidiaries (the "**Longyuan Group**"), which mainly included wind power generating units, turbine tower, cables, transformers and coal. The proposed annual cap of aforesaid products and services for the year

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ending 31 December 2018 amounted to RMB7,623.61 million. With reference to the Longyuan Announcement, the provision of wind power equipment or relevant services to the Longyuan Group by Guodian Group and its subsidiaries (including the Group) was estimated to represent approximately 70% of total demand on annual caps for the year ending 31 December 2018 (i.e. approximately RMB5.3 billion). Excluding the recognized amount of RMB1.6 billion during 2018 as mentioned in sub-section headed “Amounts to be recognized during 2018 under signed contracts with Guodian Group” above, the remaining RMB3.7 billion was determined based on the estimated provision of products and services to the Longyuan Group by Guodian Group (including the Group).

Of the estimated income of RMB13.2 billion, RMB7.5 billion was estimated as demand on, among other things, (a) ultra-low emission renovation and related services; (b) proposed concession operations projects; and (c) possible EPC services to be provided by the Group to the Guodian Group. For our due diligence purpose, we discussed with and understood from Directors that the aforesaid factor (c) was determined based on EPC services for a coal-fired power generating units with installed capacity of 1,000 MW X 2. Upon our further request, we obtained details of the proposed EPC services, such as location, natural of projects, estimated cost (the “**Estimated EPC Investment**”). We noted from the government’s website the estimated project investment, which is more than the Estimated EPC Investment.

Possible demand on the Sale Products & Services by Shenhua Group/China Energy Investment as the result of Consolidation

As advised by the Directors, due to the joint reorganisation of Guodian Group and Shenhua Group by consolidation, transactions between the Group and Shenhua Group would become connected transactions upon the completion of Consolidation. We understood from the Directors the sales estimation of the Sale Products & Services to Shenhua Group was determined based on previously signed contracts, of which transactions contemplated thereunder were still in execution. The Directors expected to recognize an amount to approximately RMB0.1 billion for the year ending 31 December 2018 under the previously signed contracts. Upon on our request, we obtained detailed breakdown of aforesaid signed contracts, including the projects nature, parties involved in the projects, estimated income to be recognized in the next three years. We noted from the detailed breakdown that the sales estimation of approximately RMB0.1 billion was in line with the total estimated income to be recognized in 2018.

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The Directors further estimated Shenhua Group/China Energy Investment to have a possible demand on the Sale Products & Services of approximately RMB6.9 billion for 2018. Such estimated demand was determined based on (i) proposed investment of China Energy Investment; and (ii) possible demand on services to be required by Shenhua Group. For our due diligence purpose, we performed following analysis:

- (i) we noted from news release published by Department of Commerce of West Virginia, the United States of America, on 9 November 2017 that China Energy Investment signed a memorandum of understanding (MOU) to invest US\$83.7 billion in shale gas development and chemical manufacturing projects in West Virginia, the United States of America. The projects planning was underway and will proceed in phases over the course of 20 years. The projects will focus on power generation, chemical manufacturing, and underground storage of natural gas liquids and derivatives. The Directors consider that the aforesaid opportunities may increase demand on the products and services provided by the Group and such transactions may constitute transactions contemplated under the Guodian Group 2018 Supplemental Agreement;
- (ii) with reference to the interim report of China Shenhua Energy Company Limited (stock code: 1088 & SH601088) (“**China Shenhua**”) for the six months ended 30 June 2017, China Shenhua continued to promote the “ultra-low emission” renovation of coal-fired generating units and completed “ultra-low emission” renovation of 3,100 MW for the six months ended 30 June 2017.

Based on China Shenhua group’s coal-fired generating units’ gross installed capacity of 54,537 MW as at 30 June 2017, coal-fired generating units with gross installed capacity of approximately 14,667 MW did not complete their “ultra-low emission” renovation as at 30 June 2017. In the second half of 2017, China Shenhua targeted to complete renovation for 10 coal-fired generating units of approximately 6,220 MW, striving to be the model among “green” coal-fired enterprises.

The Directors estimated the possible cost for renovation services based on average cost unit (per MW), and assumed all coal-fired generating units which did not complete ultra-low emission renovation would require renovation services in 2018. Upon our request, we obtained (a) documents showing cost unit (per MW) for similar renovation work which was provided by the Group to its customers; and (b) calculation in respect of aforesaid estimated cost. We noted that the average cost unit (per MW) was in line with the historical cost unit (per MW).

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- (iii) with reference to the annual report of China Shenhua for the year ended 31 December 2016, gross power generation amounted to approximately 229,730,000,000 KWH for 2016. The Directors estimated the possible cost for concession operations based on the Group's current concession operation fee and assuming part of power generation amount to be conducted by the Group's concession operation after winning relevant bid. Upon our request, we obtained documents showing the Group's current concession operation fee per KWH and calculation in respect of aforesaid estimated cost.
- (iv) possible demand on wind power equipment by Shenhua Group and its associates and average cost per unit of such equipment (RMB per KW). Upon our request we obtained the estimated installed capacity, average cost per unit of such equipment and total cost in respect of wind power equipment.

Based on the above, the Directors estimated the Sale Products & Services to Guodian Group and Shenhua Group/China Energy Investment would be approximately RMB26 billion for the year ending 31 December 2018.

Furthermore, we noted that the Company has applied a buffer of approximately 11.5% as an assumption for the determination of the 2018 Sale Cap. Having considered that the additional buffer (which forms approximately 11.5% of the 2018 Sale Cap) was applied for unforeseeable circumstances, for instance, (a) the unpredictable increase in actual demand on the Sale Products & Services for the year ending 31 December 2018; and (b) the unexpected increase material cost of the Sale Products & Services for the year ending 31 December 2018, we consider that a buffer of approximately 11.5% is acceptable.

Having considered the above, we are of the view that the 2018 Sale Cap to be fair and reasonable.

Shareholders should note that as the 2018 Sale Cap is 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 2018, and they do not represent forecasts of revenue/income/cost to be recorded/incurred from the Sale Transactions for all parties as mentioned above. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be recorded/incurred under the Sale Transactions will correspond with the 2018 Sale Cap.

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II. *The Purchase Cap*

The table below shows the historical amounts for the Purchase Transactions under the Guodian Group Master Agreement and the existing/proposed annual caps:

The Purchase Transactions	For the year ended 31 December 2015 <i>RMB' million</i>	For the year ended 31 December 2016 <i>RMB' million</i>	For the year ending 31 December 2017 <i>RMB' million</i>
Historical amounts	1,193.40	364.40	269.0 <i>(Note)</i>
Existing annual caps	3,500.00	3,500.00	3,500.00
Utilization rate	34.1%	10.4%	N/A
			For the year ending 31 December 2018 <i>RMB' million</i>
Proposed annual cap (the “ Purchase Cap ”)			1,000.00

Note: the figure was for the ten months ended 31 October 2017

With reference to the Board Letter, the Purchase Cap for the year ending 31 December 2018 was calculated after taking into account of various factors, details of which are set out in the section headed “Proposed Annual Caps for 2018 and Basis of Determination” of the Board Letter.

We noted that the relevant utilisation rate of the existing annual caps were approximately 34.1% and 10.4% respectively for the year ended 31 December 2015 and 31 December 2016. We enquired into the Directors the reasons for such low utilisation rate of the existing annual caps for each of the two years ended 31 December 2016 under the Purchase Transactions. We understood that such low utilization rate was mainly due to (i) the transfer of certain desulfurization and denitrification assets by the Group to Guodian Group in 2016 (the “**Transfer**”); and (ii) the shutdown of the production lines of crystalline silicon cells, the production lines of modules and the production lines of thin-film solar cells of GD Solar Co.,

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Ltd (a subsidiary of the Company). The Transfer also lead to an decrease in historical transactions amount under the Purchase Transactions for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015.

We understood from the Directors that the purchase estimation of the Purchase Products & Services from Guodian Group was determined based on previously signed contracts, which transactions contemplated thereunder were still in execution. The Directors expected to recognize an amount of approximately RMB386 million for the year ending 31 December 2018 under the previously signed contracts. Upon on our request, we obtained detailed breakdown of aforesaid signed contracts, including the projects nature, parties involved in the projects, estimated income to be recognized in 2018, 2019 and 2020.

As advised by the Directors, should the Group win the bid in selecting services providers/products suppliers for the Sale Transactions through bidding process, the Group would pay for bidding services fees to tendering and bidding agency at a rate ranged from 0.5% to 4%. To the best of the Directors' knowledge, the tendering and bidding agency is a member of Guodian Group/Shenhua Group in respect of bidding process of the Sale Transactions. For our due diligence purpose, we obtained document showing bidding services fees and noted that the aforesaid range was in line with range as shown in the document. The Directors estimated bidding services fees amounted to RMB161 million.

As further advised by the Directors, the Group should pay for cost of water, electricity and gas due to the proposed provision of concession operations to Guodian Group under the Sales Transaction. The Directors also advised us the number of proposed concession operations projects and estimated cost of water, electricity and gas per project. The total estimated cost amounted to approximately RMB300 million.

Based on the above as well as the estimation of approximately RMB53 million for the demand on services relating to sampling test and debugging test by the Group, the Directors estimated the Purchase Products & Services from Guodian Group would be approximately RMB900 million for the year ending 31 December 2018.

Furthermore, we noted that the Company has applied a buffer of approximately 11.1% as an assumption for the determination of the 2018 Purchase Cap. Having considered that the additional buffer (which forms approximately 11.1% of the 2018 Purchase Cap) was applied for unforeseeable circumstances, for instance, (a) the unpredictable increase in actual demand on the Purchase Products & Services for the year ending 31 December 2018; and (b) the unexpected increase in cost of the Purchase Products & Services for the year ending 31 December 2018, we consider that a buffer of approximately 11.1% is acceptable.

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Having considered the above factors, we are of the view that the 2018 Purchase Cap to be fair and reasonable.

Shareholders should note that as the Purchase Cap is 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 2018, and they do not represent forecasts of revenue/income/cost to be recorded/incurred from Purchase Transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be recorded/incurred under the Purchase Transactions correspond with the Purchase Cap.

(4) 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 values of the Guodian Transactions must be restricted by the proposed annual caps for the period concerned under the Guodian Group 2018 Supplemental Agreement; (ii) the terms of the Guodian Group 2018 Supplemental Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Guodian Group 2018 Supplemental Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that 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 Guodian Transactions (i) have not been approved by the Board; (ii) 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; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the total amounts of the Guodian Transactions are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the Guodian Group Master Agreement (as supplemented by the Guodian Group 2018 Supplemental Agreement), as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

With the stipulation of the above 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 contemplated under the Guodian Group Master Agreement (as supplemented by the Guodian Group 2018 Supplemental Agreement) and hence the interest of the Independent Shareholders would be safeguarded.

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Recommendation on the Guodian Transactions

Having taken into account that above factors and reasons, we are of the opinion that the Guodian Transactions are entered into 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; and (ii) the terms of the Guodian Group 2018 Supplemental Agreement and the proposed annual caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Guodian Group 2018 Supplemental Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). He has over 20 years of experience in investment banking industry.

* *For identification purposes only*

1. FINANCIAL SUMMARY

The financial information of the Group for each of the three years ended December 31, 2016, December 31, 2015 and December 31, 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.01296.hk>):

- (1) pages 127 to 284 of the Company's annual report for the year ended December 31, 2014 published on April 24, 2015;
- (2) pages 125 to 260 of the Company's annual report for the year ended December 31, 2015 published on April 29, 2016; and
- (3) pages 129 to 276 of the Company's annual report for the year ended December 31, 2016 published on April 26, 2017.

2. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on October 31, 2017, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of approximately RMB12,016,783,000, details of which are as follows:

	As at October 31, 2017 <i>RMB'000</i>
Bank loans	
– secured	497,960
– unsecured	5,978,500
Loans from others	
– secured	100,000
– unsecured	400,000
Other loans	
– secured	556,798
Private placement notes	2,472,627
Corporate bonds	2,010,898
	<u>12,016,783</u>
	<u><u>12,016,783</u></u>

As at October 31, 2017, secured loans were secured by property, plant and equipment, lease prepayments, concession assets, trade and bills receivables, long-term service concession receivables and income stream of certain subsidiaries.

Contingent liabilities

	As at October 31, 2017 RMB'000
Guarantee issued	
– bid guarantees	151,856
– performance guarantees	1,720,255
– litigation guarantees	199,782
	<u>2,071,893</u>

Save as disclosed above and otherwise mentioned in this circular and apart from normal accounts payable in the ordinary course of the business, as at the close of business on October 31, 2017, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities. As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on October 31, 2017.

3. WORKING CAPITAL

After making due and careful inquiries, the Directors are of the opinion that the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirement for the next twelve months from the date of this circular.

4. EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Guodian Capital Holdings in general offers interest rate no less than (i) the interest rates offered to other members of Guodian Group by Guodian Capital Holdings for the same category of deposits; or (ii) the interest rates offered to the Company and its subsidiaries by other domestic commercial banks for the same category of deposits. In other words, the interest income the Group derives from its deposits with Guodian Capital Holdings would be commensurate with the interest income that it may derive by depositing in other domestic commercial banks. Accordingly, the Company considers that the Group's deposits with Guodian Capital Holdings will not have a material impact on the Group's profit, assets and liabilities for the financial years ending 31 December 2018, 2019 and 2020, respectively.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Economic development of the PRC entered the new normal, and is currently under a critical situation of mode transformation and structural adjustment. However, the basis of long-term positive economic development is unchanged, while the foreign investment cooperation encounters unprecedented strategic opportunities. The Group, being a marketized high-tech enterprise, will realize breakthroughs in four aspects in the future, namely value creation, deepening reform, driving of innovation and overseas market. The Group actively wins over support from China Energy Investment and explores the internal market of China Energy Investment while seizing the opportunities arising from economic structure adjustment and transformation and upgrade. Moreover, it adheres to innovation-driven strategies, nurtures ultra-low and super ultra-low emission, and develops new business growth points such as water conservation and zero discharge of sewage.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement 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. Wang Zhongqu at Guodian Group, Mr. Zhang Wenjian at Guodian Group, Mr. Gu Yuchun at GD Power and Mr. Yan Andrew Y. at SAIF IV GP Capital Ltd., 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 had interests or short positions in the shares or underlying shares of the Company that would need 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 Shares/ Underlying Shares Held <i>(Share)</i>	Percentage in the Relevant Class of Share Capital ⁽¹⁾ <i>(%)</i>	Percentage in the Total Share Capital ⁽¹⁾ <i>(%)</i>
Guodian Group	Domestic Shares	Interests of beneficial owner and controlled corporation	4,754,000,000 ⁽²⁾ (Long position)	100.00	78.40
GD 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 beneficial owner and controlled corporation	288,200,000 ⁽³⁾ (Long position)	22.00	4.75
SAIF IV GP Capital Ltd.	H Shares	Interests of beneficial owner and controlled corporation	288,200,000 ⁽³⁾ (Long position)	22.00	4.75
SAIF IV GP LP	H Shares	Interests of beneficial owner and 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
State Grid International Development Limited	H Shares	Interests of beneficial owner	89,505,000 (Long position)	6.83	1.48
National Council for Social Security Fund of the PRC	H Shares	Interests of beneficial owner	77,310,000 (Long position)	5.90	1.27

Notes:

- (1) This percentage is calculated on the basis of the number of underlying shares/total shares issued by the Company as at the Latest Practicable Date.
- (2) Guodian Group holds, directly or indirectly, 100% of the Domestic Shares of the Company via GD Power. As at the Latest Practicable Date, Guodian Group has 46.00% interest in the total number of shares of GD Power and GD Power holds 49.99% of the Domestic Shares of the Company. Therefore, Guodian Group is deemed to be interested in the Domestic Shares of the Company held by GD Power.
- (3) Mr. YAN Andrew Y. holds 22.00% of the H Shares indirectly via SAIF Partners IV L.P. through SAIF IV GP Capital Ltd. and SAIF IV GP LP. He is the controlling shareholder of SAIF IV 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 LP. SAIF IV GP LP is the controlling shareholder of SAIF Partners IV L.P.. SAIF Partners IV L.P. has 22.00% of the H Shares. Therefore, Mr. YAN Andrew Y., SAIF IV GP Capital Ltd., and SAIF IV GP LP are deemed to have the interests in the H Shares held by SAIF Partners IV L.P..

Service Contracts

Each of the executive Directors and Supervisors of the Company has entered into a service agreement with the Company on 8 August 2017, and each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company on 8 August 2017, in compliance with relevant laws and regulations, the Articles and the relevant regulations of arbitration. Each service agreement is for an initial term of three years commencing from 8 August 2017. Each letter of appointment is for a term of three years commencing from 8 August 2017, each of which contains a provision on automatic extension of the term for one year.

Except as disclosed above, none of the Directors or Supervisors of the Company have entered into any service agreements with the Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

Interests in Other Competing Business

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 Directors	Position in the Company	Other Interests
Mr. Wang Zhongqu	Non-executive Director	Safety production supervisor of Guodian Group, and the head of Work Safety Division
Mr. Zhang Wenjian	Non-executive Director	Head of Technology and General Industry Division of Guodian Group
Mr. Gu Yuchun	Non-executive Director	Deputy General Manager of GD Power

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 2016, 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.

Interests in Contract or Arrangement

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.

3. EXPERT AND CONSENT

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 2016, 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.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated accounts of the Group were made up.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (1) Guodian Energy Saving Technology Co., Ltd.* (國電節能技術有限公司) (as the transferee), a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Guodian Science and Technology Research Institute* (國電科學技術研究院) (a wholly-owned subsidiary of Guodian Group) on 13 September 2017, to conditionally purchase 100% equity interest in Beijing Guodian Lantian Energy Saving Science and Technology Development Co., Ltd.* (北京國電藍天節能科技開發有限公司) at a total consideration of approximately RMB48,156,500;
- (2) the Company (as the seller) entered into the Sale and Purchase Agreement with Tianjin Zhonghuan Semiconductor Co., Ltd. (天津中環半導體股份有限公司) (“**Zhonghuan**”) on 1 July 2016 to dispose of 90% equity interest in GD Solar Co., Ltd. (國電光伏有限公司) in return for consideration shares in Zhonghuan. The transaction price of target assets is amended from RMB658.9282 million to RMB644.1507 million by the Supplemental Agreement entered into between the Company and Zhonghuan on 30 June 2017;
- (3) Yantai Longyuan Power Technology Co., Ltd.* (煙台龍源電力技術股份有限公司) (“**Yantai Longyuan**”), a subsidiary of the Company, entered into the Structured Deposit Agreement with Bank of Shizuishan Co., Ltd.* (石嘴山銀行股份有限公司) (19.80% equity interest is held by Guodian Group) (“**Bank of Shizuishan**”) on 12 June 2017, pursuant to which the subscription amount of approximately RMB453 million that Yantai Longyuan used for subscribing for the Wealth Management Products B under the Wealth Management Agreement B entered into by Yantai Longyuan and Bank of Shizuishan on 28 December 2016 will be considered as deposit amount, which is used for handling Structured Deposit at Bank of Shizuishan;

- (4) Beijing Guodian Longyuan Environmental Engineering Co., Ltd.* (北京國電龍源環保工程有限公司) (“**Longyuan Environmental**”) (as the seller) entered into the Sale and Purchase Agreement with Shanghai Yingsu Environment & Technology Co., Ltd.* (上海應肅環保科技有限公司) (as the buyer) on 13 January 2017, to conditionally dispose of the entire 51% shares in Beijing Longyuan Environmental Engineering Co., Ltd.* (北京龍源環保工程有限公司) held by Longyuan Environmental at a total consideration of approximately RMB384,973,704;
- (5) the Company entered into the Property Lease Framework Agreement 2017 with Guodian New Energy Technology Research Institute (國電新能源技術研究院) (“**New Energy Research Institute**”) on 29 December 2016, pursuant to which, New Energy Research Institute agreed to lease certain premises to the Company and its subsidiaries for a term of one year commencing from 1 January 2017 and ending on 31 December 2017. The annual cap for the lease of the properties under the Property Lease Framework Agreement 2017 for the year ending 31 December 2017 is RMB23,000,000;
- (6) Guodian United Power Technology Co., Ltd.* (國電聯合動力技術有限公司) (the “**United Power**”) (as the seller), a subsidiary of the Company, entered into the Sale and Purchase Agreement with Zhuji City Guo He Gong Ying Equity Investment Partnership (Limited Partnership)* (諸暨市國核工盈股權投資合夥企業(有限合夥)) (as the buyer) on 28 December 2016, to conditionally dispose of the entire 85.80% shares in Guodian United Power Technology (Yixing) Co., Ltd.* (國電聯合動力技術(宜興)有限公司) held by United Power at a total consideration of approximately RMB256,228,600;
- (7) Wealth Management Agreements entered into by Yantai Longyuan, a subsidiary of the Company, with Bank of Shizuishan Co., Ltd.* (石嘴山銀行股份有限公司) on 28 December 2016 to subscribe for the Wealth Management Product A and the Wealth Management Product B in the subscription amounts of approximately RMB0.1 billion and approximately RMB0.453 billion respectively with a term of 124 days;
- (8) United Power (as the seller), a subsidiary of the Company, entered into the Sale and Purchase Agreement with China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) (“**Longyuan Power**”) (as the buyer) on 11 November 2016, to conditionally dispose of the entire 100% shares in Guodian United Power Technology (Changchun) Co., Ltd.* (國電聯合動力技術(長春)有限公司) held by United Power at a total consideration of approximately RMB291,266,400;

- (9) the Supplemental Agreement to the Equity Transfer Agreement entered into between the Company and Beijing Jiaming Environmental Engineering Co., Ltd. on 28 July 2016 in relation to the payment of the remaining consideration under the Equity Transfer Agreement and the liquidated damages to be paid to the Company stemming therefrom;
- (10) the Supplemental Agreement entered into between the Company, Guodian Shandong Electric Power Co., Ltd. (國電山東電力有限公司), Shandong Ludian Energy Development Co., Ltd* (山東魯電能源發展有限公司), Shandong Tuoneng Group Co., Ltd* (山東拓能集團有限公司) and Shandong Boxing Xinda Construction Investment Development Co., Ltd.* (山東省博興縣鑫達建設投資開發有限公司) (“**Shandong Xinda**”) on 24 June 2016 in relation to the Original Investment Agreement, whereby Shandong Xinda would join the JV Co as a new investor, the registered capital of the JV Co would be decreased to RMB1.6 billion and the Company’s contribution would be decreased to RMB448 million, representing 28% of the registered capital of the JV Co;
- (11) Wealth Management Agreements entered into by Yantai Longyuan, a subsidiary of the Company, with Bank of Shizuishan on 6 April 2016 to subscribe for the Wealth Management Product A and the Wealth Management Product B in the subscription amounts of approximately RMB100 million and approximately RMB453 million respectively, with the term of investment of 263 days;
- (12) the Transfer Agreements entered into by Beijing Guodian Longyuan Environmental Engineering Co., Ltd (as the transferor, a wholly-owned subsidiary of the Company) with 27 subsidiaries of Guodian Group (as the transferee) on 5 February 2016 respectively with respect to the disposal of certain desulfurization and denitrification assets with a total consideration of approximately RMB3,390,886,900;
- (13) the Investment Agreement entered into between the Company, Guodian Shandong Electric Power Co., Ltd. (國電山東電力有限公司), Shandong Ludian Energy Development Co., Ltd* (山東魯電能源發展有限公司) and Shandong Tuoneng Group Co., Ltd* (山東拓能集團有限公司) (the “**JV Co**”) on 25 January 2016 in relation to the establishment of Guodian Boxing Power Generation Co., Ltd* (國電博興發電有限公司) to invest in an engineering project in relation to the construction of two 1,000MW power generator units of Guodian Boxing Power Plant, and according to which the Company would contribute RMB522 million, representing 30% of the registered capital of the JV Co (the “**Original Investment Agreement**”);
- (14) the Equity Transfer Agreement in relation to the transfer of 60% equity interest in Guodian United Power Technology (Weifang) Company Limited by Guodian United Power Technology Co., Ltd., a non-wholly owned subsidiary of the Company, to Guodian Shandong Wind Power Energy Company Limited, a subsidiary of the Guodian Group, for a consideration of approximately RMB8,442,000 on 30 December 2015.

7. GENERAL

- (a) The joint company secretaries of the Company are Mr. Cai Zhaowen and Ms. Mok Ming Wai. Ms. Mok Ming Wai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (b) The registered office of the Company is situated at Suite 1101, 11/F, Building No. 1, Block No. 16, Xi Si Huan Zhong Road, Haidian District, Beijing, PRC.
- (c) The head office and principal place of business of the Company in Hong Kong is Flat L 15/F, Hong Kong Mansion, 1 Yee Wo Street Causeway Bay, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency, unless the context otherwise requires.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on any weekday (excluding Saturdays and public holidays) from 9:30 a.m. to 5:00 p.m. at the Company's principal place of business in Hong Kong at Flat L, 15/F, Hong Kong Mansion, 1 Yee Wo Street Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM.

- (a) the memorandum and articles of association of the Company;
- (b) the Guodian Group Master Agreement;
- (c) the Guodian First Supplemental Agreement;
- (d) the Guodian Second Supplemental Agreement;
- (e) the Guodian Third Supplemental Agreement;
- (f) the Guodian Fourth Supplemental Agreement;
- (g) the Finance Services Framework Agreement with Guodian Finance;
- (h) Revised Finance Services Supplemental Agreement;
- (i) Finance Services Second Supplemental Agreement;
- (j) the Guodian Group 2018 Supplemental Agreement;

- (k) the Finance Services Framework Agreement;
- (l) the audited financial statements of the Company for each of the years ended 31 December 2015 and 2016;
- (m) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the proposed renewal of continuing connected transactions, proposed entering into new major transactions and continuing connected transactions;
- (n) the material contracts referred to in this Appendix; and
- (o) the Directors' service contracts or letters of appointment (as the case may be) with the Company.

The details of the proposed amendments to the current Articles are as follows:

Original Article	Modified Article
<p>Content Notes “In the margin notes of the provisions of these Articles, the “Company Law” refers to the Company Law of the People’s Republic of China (2005 Revision); “Mandatory Provisions” refer to the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (Zheng Wei Fa [1994] No. 21) jointly promulgated by the former Securities Commission of the State Council and the former State Council Office for Restructuring the Economic System (hereinafter referred to as “SCORES”); the “Letter of Opinion on Supplements and Amendments” refers to the Letter of Opinion on Supplements and Amendments to the Articles of Association of Companies Listed in Hong Kong (Zheng Jian Hui Han [1995] No.1) jointly promulgated by the Overseas-Listing Department of the China Securities Regulatory Commission (“CSRC”) and the Production System Department of the former SCORES; “Opinions” refer to the Opinions on the Further Promotion of the Regular Operation and In-Depth Reform of Companies Listed Overseas (Guo Jing Mao Qi Gai [1999] No. 230) jointly promulgated by the former State Economic and Trade Commission and the CSRC; the “Guidance for Articles of Association” refers to the Guidance for Articles of Association of Listed Companies (2014 Revision) (Zheng Jian Hui Gong Gao [2014] No. 19) promulgated by the CSRC; “Listing Rules” refer to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time); “Appendix 3 to the Main Board Listing Rules” refers to Appendix 3 to the Listing Rules; and “Appendix 13D to the Main Board Listing Rules” refers to Part D of Appendix 13 to the Listing Rules.”</p>	<p>Content Notes “In the margin notes of the provisions of these Articles, the “Company Law” refers to the Company Law of the People’s Republic of China (20052013 Revision); “Mandatory Provisions” refer to the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (Zheng Wei Fa [1994] No. 21) jointly promulgated by the former Securities Commission of the State Council and the former State Council Office for Restructuring the Economic System (hereinafter referred to as “SCORES”); the “Letter of Opinion on Supplements and Amendments” refers to the Letter of Opinion on Supplements and Amendments to the Articles of Association of Companies Listed in Hong Kong (Zheng Jian Hui Han [1995] No.1) jointly promulgated by the Overseas-Listing Department of the China Securities Regulatory Commission (“CSRC”) and the Production System Department of the former SCORES; “Opinions” refer to the Opinions on the Further Promotion of the Regular Operation and In-Depth Reform of Companies Listed Overseas (Guo Jing Mao Qi Gai [1999] No. 230) jointly promulgated by the former State Economic and Trade Commission and the CSRC; the “Guidance for Articles of Association” refers to the Guidance for Articles of Association of Listed Companies (20142016 Revision) (Zheng Jian Hui Gong Gao [20142016] No. 1923) promulgated by the CSRC; “Listing Rules” refer to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time); “Appendix 3 to the Main Board Listing Rules” refers to Appendix 3 to the Listing Rules; and “Appendix 13D to the Main Board Listing Rules” refers to Part D of Appendix 13 to the Listing Rules.”</p>

Original Article	Modified Article
<p>Article 1 To safeguard the legal rights of Guodian Technology & Environment Group Corporation Limited (hereinafter referred to as the “Company”), its shareholders and creditors, and to regulate the structure and behavior of the Company, the Articles of Association (“these Articles”) are written in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Joint Stock Limited Companies (hereinafter referred to as the “Special Provisions”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Letter of Opinion on Supplements and Amendments to Articles of Association of Companies Listed in Hong Kong, the Guidance for Articles of Association of Listed Companies (2014 Revision) and other relevant provisions.</p>	<p>Article 1 To safeguard the legal rights of Guodian Technology & Environment Group Corporation Limited (hereinafter referred to as the “Company”), its shareholders and creditors, and to regulate the structure and behavior of the Company, the Articles of Association (“these Articles”) are written in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Joint Stock Limited Companies (hereinafter referred to as the “Special Provisions”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Letter of Opinion on Supplements and Amendments to Articles of Association of Companies Listed in Hong Kong, the Guidance for Articles of Association of Listed Companies (201420142016 Revision) and other relevant provisions.</p>
<p>Article 2 The Company is a joint stock limited company established in accordance with the Company Law, the Special Provisions and other relevant laws and administrative regulations of the People’s Republic of China (hereinafter referred to as the “PRC”).</p> <p>Upon approval by the State-owned Assets Supervision and Administration Commission of the State Council (Guo Zi Gai Ge [2011] No. 331) and registration with Beijing Municipal Administration for Industry & Commerce on 16 May 2011, the Company has obtained the Business License For Enterprise Legal Person. The registration number of the Company’s Business License For Enterprise Legal Person is: 110000005014429.</p> <p>The promoters of the Company are: China Guodian Corporation and GD Power Development Co., Ltd.</p>	<p>Article 2 The Company is a joint stock limited company established in accordance with the Company Law, the Special Provisions and other relevant laws and administrative regulations of the People’s Republic of China (hereinafter referred to as the “PRC”).</p> <p>Upon approval by the State-owned Assets Supervision and Administration Commission of the State Council (Guo Zi Gai Ge [2011] No. 331) and registration with Beijing Municipal Administration for Industry & Commerce on 16 May 2011, the Company has obtained the Business License For Enterprise Legal Person. The registration number of the Company’s Business License For Enterprise Legal Person is: 110000005014429. The Company’s Unified Social Credit Code is: 91110000102099718E.</p> <p>The promoters of the Company are: China Guodian Corporation (has been changed to “China Guodian Corporation Ltd.”) and GD Power Development Co., Ltd.;</p>

Original Article	Modified Article
<p>Article 9 These Articles shall be binding upon the Company and its shareholders, directors, supervisors, general manager and other senior management personnel, who shall be entitled to assert their rights regarding the Company's affairs in accordance with these Articles.</p> <p>Subject to compliance with the requirements under Article 217 herein, shareholders may take action against the Company, the Company may take action against shareholders, directors, supervisors, general manager and other senior management personnel, shareholders may take action against other shareholders, shareholders may take action against the directors, supervisors, general manager and other senior management personnel of the Company pursuant to these Articles.</p> <p>"Other senior management personnel" referred to in the preceding paragraph includes deputy general manager, chief accountant, chief engineer, chief economist, secretary to the board of directors and other persons employed by the board of directors.</p>	<p>Article 9 These Articles shall be binding upon the Company and its shareholders, directors, supervisors, general manager and other senior management personnel, who shall be entitled to assert their rights regarding the Company's affairs in accordance with these Articles.</p> <p>Subject to compliance with the requirements under Article 217<u>223</u> herein, shareholders may take action against the Company, the Company may take action against shareholders, directors, supervisors, general manager and other senior management personnel, shareholders may take action against other shareholders, shareholders may take action against the directors, supervisors, general manager and other senior management personnel of the Company pursuant to these Articles.</p> <p>"Other senior management personnel" referred to in the preceding paragraph includes deputy general manager, chief accountant, chief engineer, chief economist, secretary to the board of directors and other persons employed by the board of directors.</p>
<p>Article 19 Upon approval of the company approving department, the Company has issued a total of 4,850,000,000 ordinary shares to the promoters at the time of establishment, of which China Guodian Corporation subscribes and holds 2,473,500,000 shares, representing 51% of the total issued ordinary shares of the Company; GD Power Development Co., Ltd. subscribes and holds 2,376,500,000 shares, representing 49% of the total issued ordinary shares of the Company.</p> <p>The abovementioned number of shares shall be subject to amendments as approved by the company approving department authorized by the State Council, after the board of directors, as acting within the scope of power authorized by the general meeting, resolve on the number of the Company's placement and/or issuance of Domestic Shares and/or overseas-listed foreign-invested shares.</p>	<p>Article 19 Upon approval of the company approving department, the Company has issued a total of 4,850,000,000 ordinary shares to the promoters at the time of establishment, of which China Guodian Corporation (<u>has been changed to "China Guodian Corporation Ltd."</u>) subscribes and holds 2,473,500,000 shares, representing 51% of the total issued ordinary shares of the Company; GD Power Development Co., Ltd. subscribes and holds 2,376,500,000 shares, representing 49% of the total issued ordinary shares of the Company.</p> <p>The abovementioned number of shares shall be subject to amendments as approved by the company approving department authorized by the State Council, after the board of directors, as acting within the scope of power authorized by the general meeting, resolve on the number of the Company's placement and/or issuance of Domestic Shares and/or overseas-listed foreign-invested shares.</p>

Original Article	Modified Article
<p>Article 54 The holders of ordinary shares of the Company shall enjoy the following rights: ……</p> <p>(vi) in the event of termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with their shareholdings; and</p> <p>(vii) other rights conferred by laws, administrative regulations as well as these Articles.</p>	<p>Article 54 The holders of ordinary shares of the Company shall enjoy the following rights: ……</p> <p>(vi) in the event of termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with their shareholdings; and</p> <p><u>(vii) Shareholders, who hold a dissenting view to a resolution at a general meeting relating to merger and division of the Company, require the Company to acquire their shares; and</u></p> <p>(viii) other rights conferred by laws, administrative regulations as well as these Articles.</p>
<p>Article 58 The shareholders of ordinary shares of the Company shall assume the following obligations:</p> <p>(i) to comply with these Articles;</p> <p>……</p>	<p>Article 58 The shareholders of ordinary shares of the Company shall assume the following obligations:</p> <p>(i) to comply with <u>laws, administrative regulations and</u> these Articles;</p> <p>……</p>
<p>Article 66 General meetings are convened at the domicile address of the Company or other places notified by the convener of the general meeting.</p> <p>The general meeting will be held at a location for meeting in the form of a physical meeting. Subject to compliance with mandatory provisions of laws and regulations and the listing rules of the place of listing, the Company may also provide internet services or other methods to help the shareholders to participate in the general meetings. Shareholders will be regarded as present at the general meetings when they participate via the above-mentioned methods.</p>	<p>Article 66 General meetings are convened at the domicile address of the Company or other places notified by the convener of <u>the general meeting.</u></p> <p>The general meeting will be held at a location for meeting in the form of a physical meeting. Subject to compliance with mandatory provisions of laws and regulations and the listing rules of the place of listing, the Company may also provide internet services or other methods to help the shareholders to participate in the general meetings. Shareholders will be regarded as present at the general meetings when they participate via the above-mentioned methods.</p>

Original Article	Modified Article
<p>Article 84 Where there are two or more candidates for the election of directors at a general meeting, each of the shares held by the shareholders (including their proxies) shall has the same number of votes as the number of candidates, and the voting rights can be concentrated on electing one person, or be separated on electing several persons, but explanations have to be made on the allocations of the voting rights.</p>	<p>Article 84 Where there are two or more candidates for the election of directors at a general meeting, each of the shares held by the shareholders (including their proxies) shall has the same number of votes as the number of candidates, and the voting rights can be concentrated on electing one person, or be separated on electing several persons, but explanations have to be made on the allocations of the voting rights.</p> <p><u>At a general meeting, each of the proposal shall be voted one by one. If different proposals for one single matter are submitted, then the proposals shall be voted according to the chronological order of submission. Unless the general meeting is suspended or resolutions cannot be made due to special reasons such as force majeure events, the general meeting shall not put the proposal(s) on hold or shall not deny voting.</u></p> <p><u>The same voting right shall only be selected by way of one of the followings: on-site voting, voting via the Internet or one of the other voting methods. The first voting result shall prevail for repeated voting on the same voting right.</u></p> <p><u>Voting by poll is adopted at the general meeting.</u></p> <p><u>If shareholder(s) has interest in the proposal(s) to be considered, such shareholder(s) and their proxies shall not participate in votes counting and scrutinizing.</u></p> <p><u>Shareholders attending the general meeting shall propose their opinions to the proposals submitted to the general meeting by one of the followings: voting in favor of, against or abstaining from voting. If the votes are incompleted, not completed correctly, or the writing in the votes cannot be recognized, the unvoted votes shall be deemed as waiver of their voting rights and the voting results of the number of shareholdings shall be recorded as “abstained”.</u></p>

Original Article	Modified Article
	<p>A new article is added:</p> <p><u>Article 88 More than half of the independent non-executive directors shall be entitled to propose to the board of directors to convene an extraordinary general meeting or a class meeting. For proposal of convening an extraordinary general meeting or a class meeting by independent non-executive directors, the board of directors shall, in accordance with the requirements of laws, administrative regulations and these Articles, furnish a written feedback stating its agreement or disagreement to convene the extraordinary general meeting or the class meeting within ten days upon receipt of such proposal. If the board of directors agrees to convene the extraordinary general meeting or the class meeting, a notice for convening the extraordinary general meeting or the class meeting shall be issued within five days upon adoption of the resolution by the board of directors. If the board of directors does not agree to convene the extraordinary general meeting or the class meeting, the board of directors shall provide reasons and an announcement shall be made.</u></p>

Original Article	Modified Article
<p>Article 89 Shareholders requisitioning the convening of an extraordinary general meeting or a class meeting shall abide by the following procedures:</p> <p>Two or more shareholders holding in aggregate more than 10% of the shares carrying the right to vote at the meeting sought to be held shall sign one or more counterpart requisitions requiring the board of directors to convene an extraordinary general meeting or a class meeting and stating the objectives of the meeting. The board of directors shall, in accordance with the requirements of laws and regulations and these Articles, furnish a written reply stating its agreement or disagreement to convene the extraordinary general meeting or the class meeting within ten days upon receipt of such requisition. If the board of directors agrees to convene the extraordinary general meeting or the class meeting, a notice for convening the extraordinary general meeting or the class meeting shall be issued within five days upon adoption of the resolution by the board of directors. Any changes made to the original requisition in the notice shall require the approval of the supervisory committee. The above-mentioned shareholdings shall be calculated as at the date the written requisition is made by the shareholders.</p>	<p>Article 89<u>90</u> Shareholders requisitioning the convening of an extraordinary general meeting or a class meeting shall abide by the following procedures:</p> <p><u>Shareholder(s) who individually or jointly hold(s) more than 10% of the shares of the Company is/are entitled to propose in writing to the Board to convene an extraordinary general meeting or class meeting, among which two or more shareholder(s) holding in aggregate more than 10% of the shares of the Company are entitled to propose to the board of directors to convene a meeting by way of signing one or more counterpart requisitions, and stating the objectives of the meeting.</u></p> <p>The board of directors shall, in accordance with the requirements of laws and regulations and these Articles, furnish a written reply stating its agreement or disagreement to convene the extraordinary general meeting or the class meeting within ten days upon receipt of such requisition. If the board of directors agrees to convene the extraordinary general meeting or the class meeting, a notice for convening the extraordinary general meeting or the class meeting shall be issued within five days upon adoption of the resolution by the board of directors. Any changes made to the original requisition in the notice shall require the approval of the supervisory committee. The above-mentioned shareholdings shall be calculated as at the date the written requisition is made by the shareholders.</p>

Original Article	Modified Article
<p>If the board of directors does not agree to convene the extraordinary general meeting or the class meeting, or if it fails to give its feedback in writing within ten days upon receipt of such requisition, shareholders individually or jointly holding an aggregate of more than 10% of the shares carrying the right to vote at the meeting sought to be held shall be entitled to propose to the supervisory committee to convene an extraordinary general meeting or a class meeting, and shall submit its proposal in writing to supervisory committee. If the supervisory committee agrees to convene the extraordinary general meeting or the class meeting, a notice for convening such meeting shall be issued within five days upon receipt of such requisition. Any changes made to the original requisition in the notice shall require the approval of relevant shareholders. If the supervisory committee fails to issue a notice for such meeting within the prescribed period, the supervisory committee shall be deemed not to convene and preside at the meeting, and shareholders individually or jointly holding an aggregate of more than 10% of the shares of the Company for more than 90 consecutive days themselves may convene and preside at the meeting at their own discretion.</p> <p>If the board of directors does not issue a notice of meeting within 30 days upon receipt of the aforesaid written requisition, the requisitioning shareholders themselves may convene such a meeting according to procedures as similar as possible to that in which general meeting are to be convened by the board of directors within four months from the date of receipt of the requisition by the board of directors.</p>	<p>If the board of directors does not agree to convene the extraordinary general meeting or the class meeting, or if it fails to give its feedback in writing within ten days upon receipt of such requisition, shareholders individually or jointly holding an aggregate of more than 10% of the shares carrying the right to vote at the meeting sought to be held shall be entitled to propose to the supervisory committee to convene an extraordinary general meeting or a class meeting, and shall submit its proposal in writing to supervisory committee. If the supervisory committee agrees to convene the extraordinary general meeting or the class meeting, a notice for convening such meeting shall be issued within five days upon receipt of such requisition. Any changes made to the original requisition in the notice shall require the approval of relevant shareholders. If the supervisory committee fails to issue a notice for such meeting within the prescribed period, the supervisory committee shall be deemed not to convene and preside at the meeting, and shareholders individually or jointly holding an aggregate of more than 10% of the shares of the Company for more than 90 consecutive days themselves may convene and preside at the meeting at their own discretion.</p> <p>If the board of directors does not issue a notice of meeting within 30 days upon receipt of the aforesaid written requisition, the requisitioning shareholders themselves may convene such a meeting according to procedures as similar as possible to that in which general meeting are to be convened by the board of directors within four months from the date of receipt of the requisition by the board of directors. <u>The procedures of the meeting convened by requisitioning shareholders due to the failure of holding such meeting by the board of directors upon the aforesaid requisition shall be as similar as possible to those in which general meetings are to be convened by the board of directors.</u></p>

Original Article	Modified Article
<p>Any reasonable expenses incurred by the requisitions by reason of the failure of the board of directors to convene a meeting upon the aforesaid requests shall be repaid to the requisitioning shareholders or the supervisory committee by the Company and any sum so repaid shall be set off against sums owed by the Company to the directors in default.</p> <p>The board of directors and the supervisory committee shall make response to or give explanation of the inquiries and suggestions made by shareholders at the general meeting, unless the same involve trade secrets of the Company which shall not be disclosed.</p>	<p>Any reasonable expenses incurred by the requisitions by reason of the failure of the board of directors to convene a meeting upon the aforesaid requests shall be repaid to the requisitioning shareholders or the supervisory committee by the Company and any sum so repaid shall be set off against sums owed by the Company to the directors in default.</p> <p>The board of directors and the supervisory committee shall make response to or give explanation of the inquiries and suggestions made by shareholders at the general meeting, unless the same involve trade secrets of the Company which shall not be disclosed.</p>
<p>Article 90 A general meeting shall be convened and presided over by the chairman of the board of directors. If the chairman is unable to attend the meeting, the vice-chairman of the board of directors shall convene and take the chair of the meeting. If both the chairman and vice-chairman of the board of directors are unable to attend the meeting, then the board of directors may designate a director to convene and take the chair of the meeting. If no chairman of the meeting has been designated, shareholders present shall choose one person to be the chairman of the meeting. If for any reason the shareholders fail to elect a chairman, then the shareholder (including his/her proxy) holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.</p>	<p>Article 90<u>91</u> A general meeting shall be convened and presided over by the chairman of the board of directors. If the chairman is unable to attend the meeting, the vice-chairman of the board of directors (<u>if any</u>), shall convene and take the chair of the meeting. If both the chairman and vice-chairman of the board of directors are unable to attend the meeting, then the board of directors may designate a director to convene and take the chair of the meeting. If no chairman of the meeting has been designated, shareholders present shall choose one person to be the chairman of the meeting. If for any reason the shareholders fail to elect a chairman, then the shareholder (including his/her proxy) holding the largest number of shares carrying the right to vote thereat shall be the chairman of the meeting.</p>

Original Article	Modified Article
	<p>A new article is added:</p> <p><u>Article 92 A general meeting shall have minutes, which the secretary to the board of directors shall be responsible for. The recording of a general meeting can be kept as detailed minutes of the meeting.</u></p> <p><u>The minutes of the meeting shall include the following contents:</u></p> <p>(i) <u>date, place, agenda of the meeting and name(s) of the convener(s);</u></p> <p>(ii) <u>name of the presider (chairman) of the meeting and names of directors, supervisors, managers and other senior management personnel attending and presenting at the meeting;</u></p> <p>(iii) <u>numbers of shareholders and proxies attending the meeting and the proportion of the total number of shares carrying voting rights accounting for the total number of shares of the Company;</u></p> <p>(iv) <u>the voting results on each proposal;</u></p> <p>(v) <u>other contents required to be recorded.</u></p>
<p>Article 91 The chairman of the meeting shall be responsible for determining whether a resolution is passed. His/her decision, which is final and conclusive, shall be announced at the meeting and recorded in the minutes of meeting.</p>	<p>Article 9193 The chairman of the meeting <u>shall announce the voting details and results on each resolution, and</u> shall be responsible for determining and announcing whether a resolution is passed. His/her decision, which is final and conclusive, shall be announced at the meeting and recorded in the minutes of meeting.</p>

Original Article	Modified Article
<p>Article 103 Directors are natural persons who are not required to hold any qualifying shares in the Company. Directors of the Company comprise executive directors, non-executive directors and independent non-executive directors. Executive directors are directors who hold operation and management positions within the Company. Non-executive directors are directors who do not hold operation and management positions in the Company and have no independence in accordance with the laws. Independent non-executive directors are directors who satisfy the provisions as set out in Section II of chapter 10 herein. Directors shall possess qualifications to become a director as required under the laws.</p> <p>The Company shall have a board of directors which shall consist of eleven directors. Of the directors, four members shall be independent non-executive directors. The board of directors shall have one chairman and one vice-chairman.</p>	<p>Article 103<u>105</u> Directors are natural persons who are not required to hold any qualifying shares in the Company. Directors of the Company comprise executive directors, non-executive directors and independent non-executive directors. Executive directors are directors who hold operation and management positions within the Company. Non-executive directors are directors who do not hold operation and management positions in the Company and have no independence in accordance with the laws. Independent non-executive directors are directors who satisfy the provisions as set out in Section II of chapter 10 herein. Directors shall possess qualifications to become a director as required under the laws.</p> <p>The Company shall have a board of directors which shall consist of eleven directors. Of the directors, four members shall be independent non-executive directors. The board of directors shall have one chairman and may have one vice-chairman.</p>
<p>Article 104 A director shall be elected at the general meeting, with a term of office of three years. Upon expiry of his/her term, a director shall be eligible for re-election.</p> <p>The chairman and the vice-chairman of the board of directors shall be elected or removed by a majority of all the directors. The term of office of each of the chairman and the vice-chairman is three years which is renewable upon re-election.</p>	<p>Article 104<u>106</u> A director shall be elected at the general meeting, with a term of office of three years. Upon expiry of his/her term, a director shall be eligible for re-election.</p> <p>The chairman and the vice-chairman (if any) of the board of directors shall be elected or removed by a majority of all the directors. The term of office of each of the chairman and the vice-chairman is three years which is renewable upon re-election.</p>
<p>Article 121 The chairman of the board of directors shall exercise the following powers:</p> <p>.....</p> <p>If the chairman of the board of directors is unable to perform his/her duties, he/she may designate a vice-chairman to perform the duty on his/her behalf.</p>	<p>Article 121<u>123</u> The chairman of the board of directors shall exercise the following powers:</p> <p>.....</p> <p>If the chairman of the board of directors is unable to perform his/her duties, he/she may designate a vice-chairman (if any) to perform the duty on his/her behalf.</p>

Original Article	Modified Article
<p>Article 122 The vice-chairman of the Company shall assist the chairman. Where the chairman is unable to perform his/her duties nor has he/she designated the vice-chairman to perform the duty on his/her behalf, or the chairman fails to perform his/her duties, the vice-chairman shall perform the duty on behalf of the chairman (and if the Company has two or more vice-chairman, the duty shall be performed by the vice-chairman jointly elected by more than a half of the directors). Where the vice-chairman is unable or fails to perform his/her duties, a majority of the directors may jointly elect one director to perform the duties.</p>	<p>Article 122<u>124</u> The vice-chairman of the Company <u>(if any)</u> shall assist the chairman. Where the chairman is unable to perform his/her duties nor has he/she designated the vice-chairman to perform the duty on his/her behalf, or the chairman fails to perform his/her duties, the vice-chairman shall perform the duty on behalf of the chairman (and if the Company has two or more vice-chairman, the duty shall be performed by the vice-chairman jointly elected by more than a half of the directors). Where the vice-chairman is unable or fails to perform his/her duties, a majority of the directors may jointly elect one director to perform the duties.</p>
<p>Article 129 In respect of the matters to be passed by voting on an extraordinary board meeting, if the board of directors has delivered in written form (including by facsimile and email) the proposal to be voted to all directors, and has ensured that the directors can fully express their opinions, the board meeting may pass resolution by voting through telecommunications, instead of holding the board meeting. To be valid, the number of the directors who give their signatures and consent for the resolution shall constituted the required number for making a decision pursuant to Article 116 herein.</p>	<p>Article 129<u>131</u> In respect of the matters to be passed by voting on an extraordinary board meeting, if the board of directors has delivered in written form (including by facsimile and email) the proposal to be voted to all directors, and has ensured that the directors can fully express their opinions, the board meeting may pass resolution by voting through telecommunications, instead of holding the on-site board meeting. To be valid, the number of the directors who give their signatures and consent for the resolution shall constituted the required number for making a decision pursuant to Article 1186 and Article 127 herein.</p>
<p>Article 135 The Company shall have one general manager and three to six deputy general managers, who shall assist the work of the general manager; one chief accountant, chief engineer and chief economist. The general manager, deputy general managers, chief accountant, chief engineer and chief economist shall be appointed or dismissed by the board of directors.</p> <p>The general manager and other senior management personnel shall serve for a term of three years, which shall be renewable upon re-election.</p>	<p>Article 135<u>137</u> The Company shall have one general manager and have three to sixseven deputy general managers, who shall assist the work of the general manager; the Company shall have a chief accountant and may have one chief engineer and chief economist. The general manager, deputy general managers, chief accountant, chief engineer and chief economist shall be appointed or dismissed by the board of directors.</p> <p>The general manager and other senior management personnel shall serve for a term of three years, which shall be renewable upon re-election.</p>

Original Article	Modified Article
Article 140 The general manager, in exercising his powers, shall act honestly and diligently in accordance with the laws, administrative regulations and the provisions of these Articles.	Article 140 142 The general manager, in exercising his powers, shall act honestly and diligently in accordance with the laws, administrative regulations and the provisions of these Articles. <u>Senior management personnel shall be liable for compensation for the Company's loss due to his/her breach of laws, administrative regulations, departmental rules or these Articles when performing duties of the Company.</u>
	A new article is added: <u>Article 146 If the term of office of a supervisor expires but re-election is not carried out in a timely manner, or if a supervisor resigns during his/her tenure of office, resulting that the number of supervisors falls below the quorum, the original supervisor(s) shall continue to perform the duties as a supervisor in accordance with the requirements of laws, administrative regulations and these Articles before the re-elected supervisor(s) takes office.</u>
Article 151 A supervisor shall perform his/her supervisor duties faithfully in accordance with the laws, administrative regulations and the provisions of these Articles.	Article 151 154 A supervisor shall perform his/her supervisor duties faithfully in accordance with the laws, administrative regulations and the provisions of these Articles. <u>The supervisor shall be liable for compensation for the Company's loss due to his/her breach of laws, administrative regulations, departmental rules or these Articles when performing duties of the Company.</u>

Original Article	Modified Article
<p>Article 168 The Company shall enter into a written contract with each director, supervisor and senior management personnel, which shall at least include the following provisions:</p> <p>(i) directors, supervisors and senior management personnel shall undertake to the Company that they will comply with the Company Law, the Special Provisions, these Articles, the Codes on Takeovers and Mergers and the Codes on Share Repurchases approved by the Securities and Futures Commission of Hong Kong and other provisions stipulated by the Hong Kong Stock Exchange, and shall agree that the Company shall have the right to take remedial measures provided in these Articles, and that neither such contract nor their offices shall be transferred;</p> <p>(ii) directors, supervisors and senior management personnel shall undertake to the Company (on behalf of each shareholder) that they will observe and fulfill their obligations to shareholders under these Articles;</p> <p>(iii) terms of arbitration as stipulated in Article 217 herein.</p> <p>(iv) such contract was entered into between the directors, supervisors and senior management personnel and the Company on behalf of itself and each shareholder;</p> <p>(v) any reference to arbitration submitted shall be deemed as authorizing the arbitral tribunal to conduct a public hearing and announce its award.</p>	<p>Article 168<u>171</u> The Company shall enter into a written contract with each director, supervisor and senior management personnel, which shall at least include the following provisions:</p> <p>(i) directors, supervisors and senior management personnel shall undertake to the Company that they will comply with the Company Law, the Special Provisions, these<u>the</u> Articles <u>of Association</u>, the Codes on Takeovers and Mergers and the Codes on Share Repurchases approved by the Securities and Futures Commission of Hong Kong and other provisions stipulated by the Hong Kong Stock Exchange, and shall agree that the Company shall have the right to take remedial measures provided in these Articles, and that neither such contract nor their offices shall be transferred;</p> <p>(ii) directors, supervisors and senior management personnel shall undertake to the Company (on behalf of each shareholder) that they will observe and fulfill their obligations to shareholders under these Articles;</p> <p>(iii) terms of arbitration as stipulated in Article 217<u>223</u> herein.</p> <p>(iv) such contract was entered into between the directors, supervisors and senior management personnel and the Company on behalf of itself and each shareholder;</p> <p>(v) any reference to arbitration submitted shall be deemed as authorizing the arbitral tribunal to conduct a public hearing and announce its award.</p>

Corresponding amendments are also made to the serial numbers of the other relevant provisions in the current Articles.

Details of the proposed amendments to the Rules of Procedures of the General Meeting are as follows:

Original Article	Modified Article
<p>Article 9 The independent non-executive directors shall have the right to request the Board of Directors to hold an interim shareholders' meeting. The Board of Directors shall provide written feedback of approval or disapproval for the convening of interim shareholder's meeting within 10 days upon receipt of the request, pursuant to laws, administrative regulations and the Articles of Association of the company.</p> <p>If the Board of Directors approves the holding of an interim shareholders' meeting, it shall issue a meeting notice within five days upon the board resolution; if the Board of Directors disapproves the holding of an interim shareholders' meeting, it shall explain and announce the reasons.</p>	<p>Article 9 <u>Over half of</u> the independent non-executive directors shall have the right to request the Board of Directors to hold an <u>extraordinary general meeting or class meeting</u>. The Board of Directors shall provide written feedback of approval or disapproval for the convening of <u>extraordinary general meeting or class meeting</u> within <u>ten</u> days upon receipt of the request, pursuant to laws, administrative regulations and the Articles of Association of the company.</p> <p>If the Board of Directors approves the holding of an <u>extraordinary general meeting or class meeting</u>, it shall issue a meeting notice within five days upon the board resolution; if the Board of Directors disapproves the holding of an <u>extraordinary general meeting or class meeting</u>, it shall explain and announce the reasons.</p>
<p>Article 27 When the company holds a shareholder's meeting, the Board of Directors shall decide certain day as equity confirmation date. When the equity confirmation day is ended, the registered shareholders are the shareholders of the company.</p> <p>No change of registration of the shareholder's register shall be conducted due to equity transfer within 30 days prior to the shareholder's meeting. This article is not applicable to the change of registration of shareholder's register generated by issuing new shares according to Article 23 of Articles of Associations of the company.</p>	<p>Article 27 When the company holds a shareholder's meeting, the Board of Directors shall decide certain day as equity confirmation date. When the equity confirmation day is ended, the registered shareholders are the shareholders of the company.</p> <p>No change of registration of the shareholder's register shall be conducted due to equity transfer within 30 days prior to the shareholder's meeting. This article is not applicable to the change of registration of shareholder's register generated by issuing new shares according to Article 23<u>24</u> of Articles of Associations of the company.</p>

Original Article	Modified Article
<p>Article 45 The shareholders’ meeting shall be chaired by the Chairman. If the Chairman is unable to or fails to perform his/her responsibility, the Vice Chairman shall act as the Meeting Chairman. If both the Chairman and the Vice Chairman are unable to or fails to perform their responsibility, over half of total directors may designate a director of the company to serve as the Chairman; if no Meeting Chairman is designated, the shareholders present at the meeting may elect one people to chair the meeting; if the shareholders are unable to elect the Meeting Chairman for any reason, the shareholder with the most voting shares (including his/her proxy) shall serve as the Meeting Chairman.</p> <p>.....</p>	<p>Article 45 The shareholders’ meeting shall be chaired by the Chairman. If the Chairman is unable to or fails to perform his/her responsibility, the Vice Chairman (<u>if any</u>) shall act as the Meeting Chairman. If both the Chairman and the Vice Chairman are unable to or fails to perform their responsibility, over half of total directors may designate a director of the company to serve as the Chairman; if no Meeting Chairman is designated, the shareholders present at the meeting may elect one people to chair the meeting; if the shareholders are unable to elect the Meeting Chairman for any reason, the shareholder with the most voting shares (including his/her proxy) shall serve as the Meeting Chairman.</p> <p>.....</p>
<p>Article 60 When directors and supervisors are elected in the shareholder’s meeting, if the candidates are more than two, each share held by shareholders (including proxies) has equal number of voting right with the election quota. Either all voting rights are centralized to select for one person, or the voting rights can elect several people separately. However, the distribution of voting rights shall be explained.</p>	<p>Article 60 When directors and supervisors are elected in the shareholder’s meeting, if the candidates are more than two, each share held by shareholders (including proxies) has equal number of voting right with the election quota. Either all voting rights are centralized to select for one person, or the voting rights can elect several people separately. However, the distribution of voting rights shall be explained.</p> <p><u>The same voting right shall only be selected by way of one of the followings: on-site voting, voting via the Internet or one of the other voting methods.</u></p> <p><u>Voting by poll is adopted at the general meeting.</u></p> <p><u>If a shareholder has interest in the proposal(s) to be considered, such shareholder and proxy shall not participate in votes counting and scrutinizing.</u></p>

Original Article	Modified Article
<p>Article 72 The following matters shall be approved by the shareholders' meeting with special resolutions:</p> <p>(i) Increase or reduction of registered capital, and issuance of any stocks, warrants and other similar securities;</p> <p>(ii) Issuance of corporate bonds;</p> <p>(iii) Merger, division, dissolution, liquidation or alteration of the corporate type of the company;</p> <p>(iv) Amendment to the Articles of Association of the company; and</p> <p>(v) Other matters as provided by laws, administrative regulations, and the Articles of Association of the company and those that may have substantial influence on the company if approved by the shareholders' meeting with ordinary resolutions and thus shall be approved with special resolutions.</p>	<p>Article 72 The following matters shall be approved by the shareholders' meeting <u>with by way of</u> special resolutions:</p> <p>(i) Increase or reduction of registered capital, and issuance of any stocks, warrants and other similar securities;</p> <p>(ii) Issuance of corporate bonds;</p> <p>(iii) Merger, division, dissolution, liquidation or alteration of the corporate type of the company;</p> <p>(iv) Amendment to the Articles of Association of the company;</p> <p><u>(v) Acquisition or sale of major assets or guarantees with an amount exceeding 30% of the latest audited total assets of the Company within a year;</u></p> <p><u>(vi) Share incentive schemes;</u></p> <p>(vii) Other matters as provided by laws, administrative regulations, and the Articles of Association of the company and those that may have substantial influence on the company if approved by the shareholders' meeting <u>with by way of</u> ordinary resolutions and thus shall be approved <u>with by way of</u> special resolutions.</p>
<p>Article 74 The Chairman of the meeting shall decide whether the resolutions are passed according to the voting results, and the decision shall be final. The voting results shall be announced at the meeting and recorded into minutes.</p>	<p>Article 74 The Chairman of the meeting shall decide whether the resolutions are passed according to the voting results <u>shall announce the voting and result of each proposal and decide whether the resolutions are passed,</u> and the decision shall be final. The voting results shall be announced at the meeting and recorded into minutes.</p>

Original Article	Modified Article
<p>Article 83 The shareholder's meeting shall keep minutes, which will be taken charge of by the board secretary. The minutes shall record the following contents:</p> <p>(i) Number of shareholders who attend the meeting in person or by proxies, the sum of voting shares held by such shareholders and the proportion of such shares in the company's total shares;</p> <p>(ii) Time, place and agenda of the meeting, as well as the name of the convener;</p> <p>(iii) Name of the meeting chairman and directors, supervisors, presidents, board secretary and other senior management personnel who attend the meeting as voting or non-voting participants;</p> <p>(iv) Deliberation process and voting results of each proposal;</p> <p>(v) Name of the lawyer, teller and counting witness (if any);</p> <p>(vi) Inquiries, opinions and suggestions of shareholders and the corresponding answers or explanations of Board of Directors and Board of Supervisors;</p> <p>(vii) Other aspects that shall be included in the minutes in accordance with the opinions of the Shareholder's meeting or Articles of Associations of the company.</p>	<p>Article 83 The shareholder's meeting shall keep minutes, which will be taken charge of by the board secretary. <u>Audio record of the meeting may be retained as detailed minutes of the meeting.</u> The minutes shall record the following contents:</p> <p>(i) Number of shareholders who attend the meeting in person or by proxies, the sum of voting shares held by such shareholders and the proportion of such shares in the company's total shares;</p> <p>(ii) Time, place and agenda of the meeting, as well as the name of the convener;</p> <p>(iii) Name of the meeting chairman and directors, supervisors, general manager, board secretary and other senior management personnel who attend the meeting as voting or non-voting participants;</p> <p>(iv) Deliberation process and Voting results of each proposal;</p> <p>(v) Name of the lawyer (<u>if any</u>), teller and counting witness (if any);</p> <p>(vi) Inquiries, opinions and suggestions of shareholders and the corresponding answers or explanations of Board of Directors and Board of Supervisors;</p> <p>(vii) Other aspects that shall be included in the minutes in accordance with the opinions of the Shareholder's meeting or Articles of Associations of the company.</p>
<p>Article 95 The Procedural Rules will take effect since the listing date of the company upon deliberation and agreement of the shareholder's meeting.</p>	<p>Article 95 The Procedural Rules will take effect since the listing date of the company upon consideration and approval and agreement of the shareholder's meeting.</p>

Details of the proposed amendments to the Rules of Procedures of the Board of Directors are as follows:

Original Article	Modified Article
<p>Article 4</p> <p>The Board of Directors sets one Chairman and <u>one Deputy Chairman.</u></p> <p>.....</p>	<p>Article 4</p> <p>The Board of Directors has one Chairman and <u>may have Vice Chairman.</u></p> <p>.....</p>
	<p>One newly added article:</p> <p><u>Article 6 In determining material matters of the Company, the Board of Directors shall first seek opinions from the Party Committee of the Company.</u></p>
<p>Article 10</p> <p>The office term of directors will start since the assumption date of the post till the expiration of the term of this Board of Directors. If the reelection fails to be done in time when the office term expires, before the reelected director takes office, the former director shall perform the post of director according to laws, administrative provisions, department rules and articles of associations of the company. The assumption date of the director shall be the date when the shareholder’s meeting passed the resolution of election or the assumption date confirmed by the resolution of the shareholder’s meeting.</p> <p>.....</p>	<p>Article 10<u>11</u></p> <p>The office term of directors will start since the assumption date of the post till the expiration of the term of this Board of Directors. If the reelection fails to be done in time when the office term expires, <u>resulting that the number of the members of the Board of Directors falls below the quorum,</u> before the reelected director takes office, the former director shall perform the post of director according to laws, administrative provisions, department rules and the Articles of Association of the company. The assumption date of the director shall be the date when the shareholder’s meeting passed the resolution of election or the assumption date confirmed by the resolution of the shareholder’s meeting.</p> <p>.....</p>

Original Article	Modified Article
<p>Article 16 The director who neither attended nor entrusted other directors to attend the board meeting for consecutive two times will be viewed as unable to perform the duties, and the Board of Directors shall suggest the shareholder's meeting to replace the director.</p>	<p>Article 16<u>17</u> The director who neither attended nor entrusted other directors to attend the board meeting in person for consecutive two times will be viewed as unable to perform the duties, and the Board of Directors shall suggest the shareholder's meeting to replace the director.</p> <p><u>For independent non-executive directors who did not attend the board meeting in person for consecutive three times, the Board of Directors may suggest the shareholder's meeting to replace the director.</u></p>
<p>Article 18 If due to the resignation of the director, the members of Board of Directors are less than quorum, before the reelected director takes office, the former director shall continue to perform the post of director in accordance with laws, administrative provisions, department regulations and articles of associations of the company. Other directors shall convene interim shareholder's meeting as soon as possible to elect director and fill up the vacancy.</p> <p>Except the situations listed in preceding clauses, the resignation of executive director and non-executive director takes effect since the resignation report arrives at the Board of Directors, and the resignation of independent non-executive director takes effect one month later after the report arrives at the Board of Directors.</p>	<p>Article 18<u>19</u> If due to the resignation of the director, the members of Board of Directors are less than quorum, before the reelected director takes office, the former director shall continue to perform the post of director in accordance with laws, administrative provisions, department regulations and the Articles of Association of the company. Other directors shall convene <u>extraordinary general</u> meeting as soon as possible to elect director and fill up the vacancy.</p> <p>Except the situations listed in preceding clauses, the resignation of executive director and non-executive director takes effect since the resignation report arrives at the Board of Directors, and the resignation of independent non-executive director takes effect one month later after the report arrives at the Board of Directors.</p>
<p>Article 26 When the Chairman is unable or fails to perform the duty, the Deputy Chairman shall perform the duties; when the Deputy Chairman is unable or fails to perform the duty, more than half of directors shall jointly recommend one director to perform the duty.</p>	<p>Article 26<u>27</u> When the Chairman is unable or fails to perform the duty, the <u>Vice</u> Chairman (<u>if any</u>) shall perform the duties; when the <u>Vice</u> Chairman is unable or fails to perform the duty, more than half of directors shall jointly recommend one director to perform the duty.</p>

Original Article	Modified Article
<p>Article 32 Unless otherwise regulated by articles of associations of the company and local listing rules where the company is listed, the Board of Directors can take the way of communication voting for written proposal instead of board meeting. However, the proposal shall be delivered to every director by specially-assigned personnel, mail, telegraph, e-mail or fax. In the event that the Board of Directors has released the proposal to all directors, and the directors delivered the signed proposals by above-mentioned means to the secretary of the Board of Directors have reached the quorum required for decision-making, the proposals shall be deemed as the board resolution, the board meeting is unnecessary to be held.</p>	<p>Article 32³³ Unless otherwise regulated by the Articles of Association of the company and local listing rules where the company is listed, the Board of Directors can take the way of communication voting for written proposal instead of <u>convening on-site</u> board meeting. However, the proposal shall be delivered to every director by specially-assigned personnel, mail, telegraph, e-mail or fax. In the event that the Board of Directors has released the proposal to all directors, and the directors delivered the signed proposals by above-mentioned means to the secretary of the Board of Directors have reached the quorum required for decision-making, the proposals shall be deemed as the board resolution, the <u>on-site</u> board meeting is unnecessary to be held.</p>
<p>Article 66 The Procedural Rules will take effect since the listing date of the company upon deliberation and agreement of the shareholder's meeting.</p>	<p>Article 66⁶⁷ The Procedural Rules will take effect since the listing date of the company upon consideration and approval of the shareholder's meeting.</p>

The sequence numbers of the other relevant articles set out in the Rules of Procedures of the Board of Directors will be amended accordingly.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 SECOND EXTRAORDINARY GENERAL MEETING IN 2017¹

NOTICE IS HEREBY GIVEN THAT the second extraordinary general meeting (the “**EGM**”) of Guodian Technology & Environment Group Corporation Limited (the “**Company**”) in 2017 will be held at the Conference Room, 3rd Floor, Building No. 1, Block No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing, the People's Republic of China (the “**PRC**”) at 16:00, on Friday, 29 December 2017, for the purpose of considering and, if thought fit, approving the following resolutions:

AS ORDINARY RESOLUTIONS

1. (a) To consider and approve the framework agreement (“**Finance Services Framework Agreement**”) entered into between the Company and its subsidiaries (collectively, the “**Group**”) and China Guodian Capital Holdings Ltd. (“**Guodian Capital Holdings**”) on 9 November 2017 in relation to the provision of finance service by Guodian Capital Holdings and its subsidiaries to the Group;
- (b) To consider and approve the proposed annual caps of the continuing connected transactions contemplated under the Finance Services Framework Agreement:

Transaction	Proposed Annual Caps for the years ending December 31,		
	2018	2019	2020
maximum daily deposit balance of deposits placed by the Group with Guodian Capital Holdings (including any interest accrued thereon)	3,000	3,000	3,000

(RMB millions)

and

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1. This notice includes the proposals in the Notice of the Second Extraordinary General Meeting in 2017 dated 10 November 2017 and the Supplemental Notice of the Second Extraordinary General Meeting for the year 2017 dated 29 November 2017

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) Any one of the directors for and on behalf of the Company be and is hereby authorised, among other matters, to sign, execute, perfect and deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise 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 Finance Services Framework Agreement and to waive compliance from or make and agree such variations of a nonmaterial nature to any of the terms of the Finance Services 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.
2. (a) To consider and approve the entering into the Guodian Group 2018 Supplemental Agreement by China Guodian Corporation Ltd. (中國國電集團有限公司) (“**Guodian Group**”) and the Group to extend the term of the Guodian Group Master Agreement (as defined in the announcement in relation to the renewal of continuing connected transactions dated 20 November 2017) to 31 December 2018.
- (b) To consider and approve the proposed new annual caps of the continuing connected transactions contemplated under Guodian Group Master Agreement for the year ended 31 December 2018 as set out below.

Transaction	Year ending 31 December 2018
	<i>(RMB millions)</i>
Provision of products and services by the Group to the Guodian Group and its subsidiaries (other than the Group)	29,000
Provision of products and services by the Guodian Group and its subsidiaries (other than the Group) to the Group	1,000

and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one of the directors for and on behalf of the Company be and is hereby authorised, among other matters, to sign, execute, perfect and deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise 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 Guodian Group Master Agreement and to waive compliance from or make and agree such variations of a nonmaterial nature to any of the terms of the Guodian Group Master 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.
3. To consider and approve the reappointment of Union Power Certified Public Accountants (Special General Partnership) as the domestic auditor of the Company for 2017 with a term till the conclusion of the next session of the annual general meeting of the Company, and authorize the board of director to determine its remuneration.

AS SPECIAL RESOLUTION

4. (a) To consider and approve the amendment to the current articles of association of the Company (“**Articles**”), and the proposed amendments to the rules of procedures of the general meeting (the “**Rules of Procedures of the General Meeting**”) and the rules of procedures of the board of directors (the “**Rules of Procedures of the Board of Directors**”), details of which are set out in the circular of the Company to be dispatched in due course; and
- (b) To authorise any director of the Company to file applications of any necessary approvals and make any filing and registration as necessary for and on behalf of the Company with regard to the Articles, the proposed amendments to the Rules of Procedures of the General Meeting and the Rules of Procedures of the Board of Directors.

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

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Thursday, 30 November 2017 to Friday, 29 December 2017, 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 No. 1, Block No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing, PRC no later than 16:30 on Wednesday, 29 November 2017.

3. Eligibility for Attending the EGM

Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company at the close of business on Wednesday, 29 November 2017 are entitled to attend and vote at the EGM.

4. Proxy

- (1) If you wish to appoint a proxy to attend and vote at the EGM on your behalf and if you **have not yet returned the first EGM proxy form published on 10 November 2017 (the "First EGM Proxy Form") to the Company**, you should complete, sign and return the accompanying Revised Proxy Form which contains the proposals in the First Notice of the EGM and the Supplemental Notice of the EGM (the "**Revised Proxy Form**") to Computershare Hong Kong Investor Services Limited (for holders of H Shares) or the Company's head office in the PRC in person or by post (for holders of Domestic Shares) no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof ("**Closing Time**"). In this case, the First EGM Proxy Form should not be submitted to the Company.
- (2) If you wish to appoint any proxy to attend and vote at the EGM on your behalf, and **have already duly completed and submitted the First EGM Proxy Form to the Company** by the Closing Time, you should note that:
 - (a) **if no Revised Proxy Form is submitted to the Company**, the First EGM Proxy Form will be treated as a valid proxy form submitted by you and the proxy so appointed will still be entitled to vote on the ordinary resolution 2 set out in the Supplemental Notice of the EGM at its discretion;
 - (b) **if this Revised Proxy Form is duly completed and submitted to the Company by the Closing Time**, such Revised Proxy Form will revoke and supersede the First EGM Proxy Form submitted by you. Such Revised Proxy Form will be treated as a valid proxy form submitted by you; and
 - (c) **if this Revised Proxy Form is submitted to the Company after the Closing Time**, such Revised Proxy Form will be invalid and the validity of the First EGM Proxy Form duly submitted by you will not be affected and the proxy appointed under the First EGM Proxy Form will still be entitled to vote on the ordinary resolution 2 set out in the Supplemental Notice of the EGM at its discretion.
- (3) 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (4) If the appointer is a legal person, its legal representative or any person authorised by resolutions of the board of the directors or other governing bodies may attend the EGM on behalf of the appointer.
- (5) 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 No. 1, Block No. 16 Xi Si Huan Zhong 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 authorised.

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 No. 1, Block No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing, PRC on or before Friday, 8 December 2017.

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 No. 1, Block No. 16 Xi Si Huan Zhong Road Haidian District Beijing, PRC
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Contact Person (for Shareholders in the PRC):	Ms. Qin Xiangling Telephone: (8610) 5765 9867
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Contact Person (for Shareholders outside the PRC):	Ms. Mok Ming Wai Telephone: (852) 3589 8678
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As at the date of this notice, the executive directors of the Company are Mr. Chen Dongqing, Mr. Zhang Jun and Mr. Tang Chaoxiong; the non-executive directors are Mr. Wang Zhongqu, Mr. Zhang Wenjian, Mr. Gu Yuchun and Mr. Yan Andrew Y.; and the independent non-executive directors are Mr. Shen Xiaoliu, Mr. Qu Jiuhui, Mr. Xie Qiuye and Mr. Yeung Chi Tat.