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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)

**ANNOUNCEMENT
ENTERING INTO
UNITED POWER MASTER AGREEMENT
UNITED POWER LEASE AGREEMENT
AND
LONGYUAN TECHNOLOGY MASTER AGREEMENT**

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



**Gram Capital Limited
嘉林資本有限公司**

INTRODUCTION

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

References are made to the Prospectus, the Company's announcements dated 31 July 2012, 11 November 2013, 24 August 2014, 4 February 2016 and 29 May 2018 and the Company's circulars dated 11 December 2013 and 10 March 2016 and, in relation to, inter alia, certain continuing connected transactions that are governed by the following continuing connected transaction agreements:

- (a) United Power Master Agreement;
- (b) United Power Lease Agreement; and
- (c) Longyuan Technology Master Agreement.

Existing United Power Master Agreement, Existing United Power Lease Agreement and Existing Longyuan Technology Master Agreement will expire on 31 December 2019.

Based on internal estimates and historical transaction amounts, the Board also proposed entering into the new United Power Master Agreement, the new United Power Lease Agreement and the new Longyuan Technology Master Agreement, and determined new annual caps for the continuing connected transactions contemplated thereunder, details of which are set out below.

LISTING RULES IMPLICATIONS

A. United Power Master Agreement

As of the date of this announcement, the Company owns 70%, while Longyuan Power owns 30%, of equity interests in United Power. CHN Energy, the Company's controlling shareholder, owns approximately 58.44% of equity interests in Longyuan Power. United Power is therefore an associate of the CHN Energy. As such, United Power is the Company's connected person, and the transactions between the Group and United Power constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps in respect of continuing connected transactions contemplated under United Power Master Agreement exceed 5%, the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An Extraordinary General Meeting will be held to seek the approval from the Independent Shareholders on entering into United Power Master Agreement and the proposed annual caps for the continuing connected transactions thereunder.

CHN Energy and its associates (including GD Power) will abstain from voting at the Extraordinary General Meeting on resolutions to approve United Power Master Agreement as well as the proposed annual caps contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders with regard to the fairness and reasonableness of entering into United Power Master Agreement and the proposed annual caps contemplated thereunder, taking into account the recommendations of an independent financial adviser. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information on the entering into of United Power Master Agreement, the proposed annual caps contemplated thereunder, a letter from the Independent Board Committee to the Independent Shareholders containing the recommendation of the Independent Board Committee, a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve, among other things, the entering into of United Power Master Agreement, and the proposed annual caps contemplated thereunder, is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

B. United Power Lease Agreement

As disclosed above, United Power is the Company's connected person and, therefore, the transactions between the Group and United Power under United Power Lease Agreement constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios are more than 0.1% but all are less than 5.0%, the proposed annual caps under United Power Lease Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

C. Longyuan Technology Master Agreement

As of the date of this announcement, the Company directly holds approximately 23.25% of the issued share capital of Longyuan Technology. The Company is the substantial shareholder of Longyuan Technology. Hero Asia (BVI) Company Limited, a wholly-owned subsidiary of Longyuan Power, owns approximately 18.75% of equity interests in Longyuan Technology. Given that Longyuan Power is a subsidiary of CHN Energy, Longyuan Technology is the Company's connected person. Therefore, the transactions between the Group and Longyuan Technology constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios are more than 0.1% but all are less than 5.0%, the proposed annual caps for the transactions in relation to the provision of goods and services by the Group to Longyuan Technology and its subsidiaries under Longyuan Technology Master Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps in respect of the transactions in relation to the provision of goods and services by Longyuan Technology and its subsidiaries to the Group under Longyuan Technology Master Agreement exceed 5%, the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An Extraordinary General Meeting will be held to seek the approval from the Independent Shareholders on entering into Longyuan Technology Master Agreement and the proposed annual caps for the transactions thereunder in relation to the provision of goods and services by Longyuan Technology and its subsidiaries to the Group.

CHN Energy and its associates (including GD Power) will abstain from voting at the Extraordinary General Meeting on resolutions to approve Longyuan Technology Master Agreement and certain proposed annual caps for the transactions thereunder.

An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders with regard to the fairness and reasonableness of entering into Longyuan Technology Master Agreement and certain proposed annual caps for the transactions thereunder, taking into account the recommendations of an independent financial adviser. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information on the entering into of Longyuan Technology Master Agreement, and certain proposed annual caps contemplated thereunder, a letter from the Independent Board Committee to the Independent Shareholders containing the recommendation of the Independent Board Committee, a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve, among other things, the entering into of Longyuan Technology Master Agreement, and certain proposed annual caps contemplated thereunder, is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

1. INTRODUCTION

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

References are made to the Prospectus, the Company's announcements dated 31 July 2012, 11 November 2013, 24 August 2014, 4 February 2016 and 29 May 2018 and the Company's circulars dated 11 December 2013 and 10 March 2016 and, in relation to, inter alia, certain continuing connected transactions that are governed by the following continuing connected transaction agreements:

- (a) United Power Master Agreement;
- (b) United Power Lease Agreement; and
- (c) Longyuan Technology Master Agreement.

Existing United Power Master Agreement, Existing United Power Lease Agreement and Existing Longyuan Technology Master Agreement will expire on 31 December 2019.

Based on internal estimates and historical transaction amounts, the Board also proposed entering into the new United Power Master Agreement, the new United Power Lease Agreement and the new Longyuan Technology Master Agreement, and determined new annual caps for the continuing connected transactions contemplated thereunder, details of which are set out below.

2. ENTERING INTO UNITED POWER MASTER AGREEMENT

A. Summary of the terms of United Power Master Agreement

Date

29 October 2019

Parties

- (1) The Company; and
- (2) United Power

Material terms

Below is a summary of the material terms of United Power Master Agreement:

The goods and services to be provided by the Group to United Power and its subsidiaries include general contracting for construction of wind farms, parts and components of WTGs, distributed control system (“DCS”) for power stations and relevant spare parts, on-site DCS configuration and commissioning services.

The goods and services to be provided by United Power and its subsidiaries to the Group include products such as WTG assembly, parts and components, and accessories, and operation and maintenance services.

The Group, United Power and its subsidiaries will enter into separate agreements that will set out the terms and conditions of providing such goods and services according to the principles laid out by United Power Master Agreement and otherwise on normal commercial terms.

United Power Master Agreement has a term commencing from 1 January 2020 and ending on 31 December 2022. Either party may terminate United Power Master Agreement upon giving the other party at least three-month written notice in advance. Upon expiration, United Power Master Agreement can, subject to compliance with the relevant requirements under the Listing Rules and the agreement of the parties, be renewed for an additional term of three years.

Pricing policy

In general, the pricing of products and services in relation to the United Power Master Agreement will be based on the following pricing policies:

- (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 no government-prescribed price and no government-guidance price, supplier shall be selected through bidding process or non-bidding quotation and competitive negotiation; or

- (4) where procurement procedures such as quotation and competitive negotiation are unfeasible or impracticable, contract negotiation may be adopted instead; or sole-source procurement process may be adopted directly in accordance with the relevant rules of China Energy. Where contract negotiation or sole-source process is adopted, comparisons and negotiations between quotations of the exclusive supplier and historical or market prices shall be carried out.

In particular:

Pricing policy for sales

As the provider of products/services, except for products/services applicable to government-prescribed price/guidance price, the principle of reasonable cost plus reasonable profit of the Company will be normally considered for sales pricing. In addition, the sales of products/services of the Company are required to be determined through the bidding process or non-bidding quotation organized by the purchaser, sole-source procurement and other procurement processes, which enable the Company to win the bid with competitive advantages in services and technology. Regardless of the purchasing method adopted by the purchaser, the Company would adhere to the inherent pricing policy.

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

Reasonable profits shall be determined by the following factors: the overall average profit margin of the relevant industry (profit before tax/revenue of principal business), average profit margin for the relevant products or services, overall historical transactional values and profit margins, superiority (technological or otherwise) of the products or services, supply and demand, availability of substitutable products or services, profit margin for the relevant business of the Group, local commodity prices and local economic development levels.

In principle, subsidiaries from each line of business should not determine the profit margin as lower than the average profit margin for that area of business (such data is updated on monthly basis by the corporate management department of the Company based on the data from several comparable companies. Such data vary from month to month depending on the operating conditions of those comparable companies.

Pricing policy for procurement

As the recipient of products/services, except for products/services applicable to government-prescribed price/guidance price, the suppliers of other products/services shall solely be selected through bidding process or non-bidding quotation, sole-source procurement and other procurement processes, while comparisons and negotiation between historical or market prices shall be carried out to determine the price.

Historical prices shall be defined as the prices charged for providing the products or services by the suppliers who are qualified or eligible for providing such products or services recently (subject to the duration of contract terms).

Market prices are defined as the prices determined according to the following order:

- (1) prices charged by independent third parties providing the products and services for the time being under normal commercial transactions in the place where such products and services are supplied or neighboring regions; or
- (2) prices charged by independent third parties providing the products for the time being under normal commercial transactions.

B. Proposed annual caps

Historical transaction amounts

The actual amounts of the transactions under Existing United Power Master Agreement for the years/period ended 31 December 2017, 31 December 2018 and 30 June 2019 are set out below:

	Year/Period ended		
	December 31, 2017 (RMB million)	December 31, 2018 (RMB million)	June 30, 2019 (RMB million)
Provision of goods and services by the Group to United Power and its subsidiaries	326.90	357.10	48.07
Provision of goods and services by United Power and its subsidiaries to the Group	0	0	1.03

Proposed annual caps for 2020, 2021 and 2022 and basis of determination

The table below sets out the proposed annual caps for transactions contemplated under United Power Master Agreement for the years ending 31 December 2020, 2021 and 2022:

	Year ending December 31,		
	2020 (RMB million)	2021 (RMB million)	2022 (RMB million)
Provision of goods and services by the Group to United Power and its subsidiaries	600.00	500.00	500.00
Provision of goods and services by United Power and its subsidiaries to the Group	1,100.00	1,100.00	1,100.00

The proposed annual caps for the transactions in relation to the provision of goods and services by the Group to United Power and its subsidiaries are calculated after taking into account the following factors:

- (1) United Power has been able to convince its customers that, as compared with the goods produced by an independent third party, the parts and components provided by the Group (other than United Power and its subsidiaries) work better with the WTGs manufactured by United Power and its subsidiaries;

- (2) In the past two years, the Chinese government has intensively published various policies and measures, proactively promoted the grid parity of wind power without subsidies which will result in the rush of installation by the end of 2020. The business of United Power and its subsidiaries are expected to be promising in future few years; and
- (3) The historical transaction amounts as disclosed above.

The proposed annual caps for the transactions in relation to the provision of goods and services by United Power and its subsidiaries to the Group are calculated after taking into account the following factors:

- (1) Subsidiaries of the Group have placed great emphasis on wind power EPC and supervision projects, with a large number of projects currently being implemented, recently won bids or under preparation for bidding and tracking, and the prospects of wind power EPC business is favourable, which brings about significant demand of the Group for goods and services provided by United Power and its subsidiaries; and
- (2) The failure in obtaining approval for or delay in certain self-developed wind power farm projects initially planned by the Group due to local policies adjustment has resulted in no amount or minimal amount incurred for 2017, 2018 and the first half of 2019. However, new energy generation business has achieved sound profitability with bright prospects and we are proactively pushing forward the preliminary work of the projects held, which is expected to be conducive to the future operation of the Company.

C. Reasons for and benefits of entering into United Power Master Agreement

United Power and its subsidiaries are significant subsidiaries as well as important clients for the Group (other than United Power and its subsidiaries). United Power procures from subsidiaries of the Group converters and pitch control equipment as well as DCS goods and services, etc., and proceeds to sell WTGs equipped with such goods or services. Meanwhile, self-developed wind power farm projects of United Power also need to procure general contracting services for construction provided by subsidiaries of the Group.

United Power and its subsidiaries are also providers of goods and services of the Group. Due to the commencement of wind power EPC business and self-developed wind power farm projects, the Group also has demands for goods such as WTG assembly, parts and components, and accessories, and operation and maintenance services provided by United Power and its subsidiaries.

The Group has been benefited from the cooperation with United Power and its subsidiaries, which is a mutually beneficial relationship.

United Power Master Agreement was entered into in the Company's ordinary course of business and based on market prices, the terms of which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

D. Internal procedures

To ensure that the considerations for the continuing connected transactions of the Group are on normal commercial terms and that relevant terms (in particular, pricing terms as defined in 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 divisions of the Company are jointly responsible for evaluating terms, in particular, the fairness of the pricing terms, of each agreement.
- (2) Under 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 agreements governing the relevant transactions. The auditors of the Company also conduct annual review on certain continuing connected transactions of the Group 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 PRC on Tendering and Bidding and relevant national regulations, as well as relevant requirements of CHN Energy, the Company has prepared and issued eight systems and one regulation, including the procurement 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 CHN Energy, the plan, standard, process and platform for procurement in the entire group are unified. During the procuring 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 CHN Energy. Meanwhile, the audit department of the Company performs regular and irregular spot check in respect of the procurement of the subsidiaries every year, ensuring that the selection of procurement methods and the execution of flow are in compliance with laws and regulations.

E. Listing Rules implications

As of the date of this announcement, the Company owns 70%, while Longyuan Power owns 30%, of equity interests in United Power. CHN Energy, the Company's controlling shareholder, owns approximately 58.44% of equity interests in Longyuan Power. United Power is therefore an associate of the CHN Energy. As such, United Power is the Company's connected person, and the transactions between the Group and United Power constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps in respect of continuing connected transactions contemplated under United Power Master Agreement exceed 5%, the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An Extraordinary General Meeting will be held to seek the approval from the Independent Shareholders on entering into United Power Master Agreement and the proposed annual caps for the continuing connected transactions thereunder.

CHN Energy and its associates (including GD Power) will abstain from voting at the Extraordinary General Meeting on resolutions to approve United Power Master Agreement as well as the proposed annual caps contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders with regard to the fairness and reasonableness of entering into of United Power Master Agreement and the proposed annual caps contemplated thereunder, taking into account the recommendations of an independent financial adviser. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information on the entering into of United Power Master Agreement, the proposed annual caps contemplated thereunder, a letter from the Independent Board Committee to the Independent Shareholders containing the recommendation of the Independent Board Committee, a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve, among other things, the entering into of United Power Master Agreement, and the proposed annual caps contemplated thereunder, is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

F. Directors' Opinion

The Directors (including the independent non-executive Directors, but excluding Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun, being connected Directors) confirm that the terms of United Power Master Agreement (including the proposed annual caps for the transactions contemplated thereunder) 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 are in the interest of the Company and its Shareholders as a whole.

Directors associated with the CHN Energy and other associates of the CHN Energy, i.e., Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun, being connected Directors, have abstained from voting regarding United Power Master Agreement and the proposed annual caps. Except as disclosed above, none of the Directors has any material interest in the above transactions or was required to abstain from voting at the Board meeting.

3. ENTERING INTO UNITED POWER LEASE AGREEMENT

A. Summary of the terms under United Power Lease Agreement

Date

29 October 2019

Parties

- (1) The Company; and
- (2) United Power

Material terms

Below is a summary of the material terms of United Power Lease Agreement:

The Company agreed to lease land and buildings to United Power and its subsidiaries as offices, production facilities, workshops and staff quarters. United Power and its subsidiaries are not entitled to sub-lease or transfer leases to other parties without prior written consent from the Company.

United Power Lease Agreement has a term commencing from 1 January 2020 and ending on 31 December 2022, and, subject to the requirements of the Listing Rules by the Company, renewable upon mutual agreement of the parties.

During the term of the leases for the properties, each party to each lease will bear its own taxes in accordance with the applicable laws and regulations.

United Power has guaranteed that it and its subsidiaries will pay the rents specified for each of the properties in a timely manner and that United Power and its subsidiaries will use the properties in accordance with the leases and will not cause or allow any damage to the value of the properties.

The rights and obligations of the parties under United Power Lease Agreement are not transferrable.

Pricing policy

The rent for each of the leases has been determined for the three-year period with reference to comparable properties in similar locations as specified in each of the leases, and (where applicable) will be adjusted in accordance with the terms of the lease by mutual agreement or by engaging an independent valuator acceptable to both parties. However, such increment in rent has to be reasonable and not higher than the rent that would otherwise be payable by an independent third party paying market rent for similar properties.

B. Proposed annual caps

Historical transaction amounts

The rental amounts paid by United Power and its subsidiaries to the Company under Existing United Power Lease Agreement for the years/period ended 31 December 2017, 31 December 2018 and 30 June 2019, are set forth below:

	Year/Period ended		
	31 December 2017	31 December 2018	30 June 2019
	(RMB million)	(RMB million)	(RMB million)
Rental amount paid by United Power and its subsidiaries	21.70	21.90	10.93

Proposed annual caps for 2020, 2021 and 2022 and basis of determination

The Company proposes that the annual caps of the amounts payable by United Power and its subsidiaries to the Company for the years ending 31 December 2020, 2021 and 2022 be RMB30 million, RMB30 million and RMB30 million, respectively.

The proposed annual caps are determined after taking into account the above historical transaction amounts and the property market condition in Beijing, PRC. The leased property is currently located at Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing. Rental standard calculated on the basis of floor area is not more than RMB7.5 per square meter per day, with property management fee included, but excluding water and electricity charges.

C. Reasons for and benefits of entering into United Power Lease Agreement

United Power and its subsidiaries are major subsidiaries of the Group. United Power Lease Agreement was entered into at market prices. The Company is of the view that United Power Lease Agreement improves the utilization of the Company's properties and minimizes any unnecessary relocation costs for the Group as a whole. United Power Lease Agreement is beneficial to both the Company and United Power and its subsidiaries and has been fair and reasonable and in the interest of the Company and the Shareholders as a whole.

D. Internal procedures

The internal control process under the United Power Lease Agreement is disclosed as "2. ENTERING INTO UNITED POWER MASTER AGREEMENT – D. Internal procedures" above.

E. Listing Rules implications

As disclosed above, United Power is the Company's connected person and, therefore, the transactions between the Group and United Power under United Power Lease Agreement constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios are more than 0.1% but all are less than 5.0%, the proposed annual caps under United Power Lease Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

F. Directors' opinion

The Directors (including the independent non-executive Directors, but excluding Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun, being connected Directors) confirm that terms of United Power Lease Agreement (including the proposed annual caps for the transactions contemplated thereunder) 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 are in the interest of the Company and its Shareholders as a whole.

Directors associated with CHN Energy and other associates of CHN Energy, i.e., Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun, being connected Directors, have abstained from voting regarding United Power Lease Agreement and the proposed annual caps thereunder. Except as disclosed above, none of the Directors has any material interest in the above transactions or was required to abstain from voting at the Board meeting.

4. ENTERING INTO LONGYUAN TECHNOLOGY MASTER AGREEMENT

A. Summary of the terms of Longyuan Technology Master Agreement

Date

29 October 2019

Parties

- (1) The Company; and
- (2) Longyuan Technology

Material terms

Below is a summary of the material terms of Longyuan Technology Master Agreement:

The goods and services provided to the Group by Longyuan Technology and its subsidiaries include energy conservation and environmental protection equipment and services, software development and operation and maintenance, and market service relating to plasma ignition, less-oil ignition, low-NOx combustion, waste heat utilization, economizer and integrated retrofit for energy efficiency.

The goods and services provided to Longyuan Technology and its subsidiaries by the Group include catalyst, DCS and relevant spare parts, and on-site DCS configuration and commissioning service.

The Group and Longyuan Technology and its subsidiaries will enter into separate agreements that will set out the specific scope of goods and services, terms and conditions of providing such goods and services according to the principles laid out by Longyuan Technology Master Agreement.

Longyuan Technology Master Agreement has a term commencing from 1 January 2020 and ending on 31 December 2022. Either party may terminate Longyuan Technology Master Agreement upon giving the other party at least three-month written notice in advance. Upon expiry, Longyuan Technology Master Agreement can, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for an additional term of three years.

Pricing policy

The pricing policy for the goods and services under Longyuan Technology Master Agreement is as disclosed in the pricing policy under “2. ENTERING INTO UNITED POWER MASTER AGREEMENT—A. Summary of the terms of United Power Master Agreement”.

B. Proposed annual caps

Historical transaction amounts

The actual amounts of the transactions under Existing Longyuan Technology Master Agreement for the years/period ended 31 December 2017, 31 December 2018 and 30 June 2019, are set forth below:

	Year/Period ended		
	31 December 2017	31 December 2018	30 June 2019
	(RMB million)	(RMB million)	(RMB million)
Provision of goods and services by Longyuan Technology and its subsidiaries to the Group	30.6	92.3	14.69
Provision of goods and services by the Group to Longyuan Technology and its subsidiaries	2.80	4.20	0

Proposed annual caps for 2020, 2021 and 2022 and basis of determination

The table below sets forth the proposed annual caps for the transactions contemplated under Longyuan Technology Master Agreement for the years ending 31 December 2020, 2021 and 2022:

	Year/Period ending December 31,		
	2020	2021	2022
	(RMB million)	(RMB million)	(RMB million)
Provision of goods and services by Longyuan Technology and its subsidiaries to the Group	130.00	130.00	130.00
Provision of goods and services by the Group to Longyuan Technology and its subsidiaries	30.00	30.00	32.00

The proposed annual caps in relation to the provision of goods and services by Longyuan Technology and its subsidiaries to the Group are determined after taking into account (1) the expected business development of the Group, in particular the increase in demand for goods of Longyuan Technology and its subsidiaries as a result of the Group's general contracting business for environmental protection engineering and power stations engineering, as well as the estimates of contractual amount; and (2) the historical transaction amounts as disclosed above.

The proposed annual caps in relation to the provision of goods and services by the Group to Longyuan Technology and its subsidiaries are determined after taking into account (1) the demand of Longyuan Technology and its subsidiaries for goods and services such as catalysts and DCS provided by the Group; and (2) the historical transaction amounts as disclosed above.

C. Reasons for and benefits of entering into Longyuan Technology Master Agreement

Longyuan Technology and its subsidiaries have been an important goods and services supplier for the Group (except for Longyuan Technology and its subsidiaries). The Group is of the view that the provision of energy conservation and environmental protection equipment and services such as plasma ignition by Longyuan Technology to the Group is of great importance for the Group's environmental protection and energy conservation solution businesses. Longyuan Technology also has stable demand for goods and services such as catalysts and DCS provided by the Group.

The Group has been benefited from the cooperation with Longyuan Technology and its subsidiaries, which is a mutually beneficial relationship.

Longyuan Technology Master Agreement was entered into in the Company's ordinary course of business and on market prices, and the terms thereof are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

D. Internal procedures

The internal control process under the Longyuan Technology Master Agreement is disclosed as "2. ENTERING INTO UNITED POWER MASTER AGREEMENT – D. Internal procedures" above.

E. Listing Rules implications

As of the date of this announcement, the Company directly holds approximately 23.25% of the issued share capital of Longyuan Technology. The Company is the substantial shareholder of Longyuan Technology. Hero Asia (BVI) Company Limited, a wholly-owned subsidiary of Longyuan Power, owns approximately 18.75% of equity interests in Longyuan Technology. Given that Longyuan Power is a subsidiary of CHN Energy, Longyuan Technology is the Company's connected person. Therefore, the transactions between the Group and Longyuan Technology constitute connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios are more than 0.1% but all are less than 5.0%, the proposed annual caps for the transactions in relation to the provision of goods and services by the Group to Longyuan Technology and its subsidiaries under Longyuan Technology Master Agreement are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps in respect of the transactions in relation to the provision of goods and services by Longyuan Technology and its subsidiaries to the Group under Longyuan Technology Master Agreement exceed 5%, the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An Extraordinary General Meeting will be held to seek the approval from the Independent Shareholders on entering into Longyuan Technology Master Agreement and certain proposed annual caps contemplated thereunder.

CHN Energy and its associates (including GD Power) will abstain from voting at the Extraordinary General Meeting on resolutions to approve Longyuan Technology Master Agreement as well as certain proposed annual caps contemplated thereunder.

An Independent Board Committee comprising all the independent non-executive Directors will be established by the Company to advise the Independent Shareholders with regard to the fairness and reasonableness of entering into Longyuan Technology Master Agreement and certain proposed annual caps contemplated thereunder, taking into account the recommendations of an independent financial adviser. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further information on the entering into of Longyuan Technology Master Agreement, and certain proposed annual caps contemplated thereunder, a letter from the Independent Board Committee to the Independent Shareholders containing the recommendation of the Independent Board Committee, a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the Extraordinary General Meeting to approve, among other things, the entering into of Longyuan Technology Master Agreement, and certain proposed annual caps contemplated thereunder, is expected to be dispatched to the Shareholders as soon as practicable and within 15 business days after the publication of this announcement.

F. Directors' opinion

The Directors (including the independent non-executive Directors, but excluding Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun, being connected Directors) confirm that terms of Longyuan Technology Master Agreement (including the proposed annual caps for the transactions contemplated thereunder) 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 are in the interest of the Company and its Shareholders as a whole.

Directors associated with CHN Energy, GD Power and other associates of CHN Energy, i.e., Mr. Wang Zhongqu, Mr. Zhang Wenjian and Mr. Gu Yuchun, being connected Directors, have abstained from voting regarding Longyuan Technology Master Agreement and the proposed annual caps thereunder. Except as disclosed above, none of the Directors has any material interest in the above transactions or was required to abstain from voting at the Board meeting.

6. INFORMATION ON 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 market leading or dominant positions in the environmental protection, energy conservation and renewable energy equipment manufacturing and related services industries in the PRC.

Longyuan Technology

Longyuan Technology is a joint stock limited company established in the PRC and an approximately 23.25% owned subsidiary of the Company. Longyuan Technology is primarily engaged in the manufacturing, sales, installation and operation of equipment related to electricity, energy and relevant areas, as well as technological consultation and services.

United Power

United Power is a limited liability company established in the PRC and a 70% owned subsidiary of the Company. United Power is a leading supplier of total solutions for wind turbine generator system and focuses on the green energy industry.

7. DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“CHN Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), a company established in the PRC with limited liability, being the controlling shareholder of the Company
“Company”	Guodian Technology & Environment Group Corporation Limited* (國電科技環保集團股份有限公司), a joint stock limited liability company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 1296)
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules

“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Extraordinary General Meeting”	an extraordinary general meeting to be held by the Company to approve, among other things, the United Power Master Agreement and Longyuan Technology Master Agreement
“Existing Longyuan Technology Master Agreement”	the master agreement in relation to the purchase and sale of comprehensive goods and services entered into by the Company and Longyuan Technology on 23 November 2011, as amended and supplemented by the Longyuan Technology First Supplemental Agreement, the Longyuan Technology Second Supplemental Agreement, the Longyuan Technology Third Supplemental Agreement, the Longyuan Technology Fourth Supplemental Agreement and the Longyuan Technology Fifth Supplemental Agreement
“Existing United Power Lease Agreement”	the master agreement in respect of the lease of properties to United Power by the Company entered into by the Company and United Power on 23 November 2011, as amended and supplemented by the United Power First Lease Supplemental Agreement and the United Power Second Lease Supplemental Agreement
“Existing United Power Master Agreement”	the master agreement in relation to the purchase and sale of comprehensive goods and services entered into by the Company and United Power on 23 November 2011, as amended and supplemented by the United Power First Supplemental Agreement and the United Power Second Supplemental Agreement

“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, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600795)
“Gram Capital”	Gram Capital Limited, being a licensed corporation entitled to carry out Type 6 regulated activity (advising on corporate finance) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and also an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the United Power Master Agreement and Longyuan Technology Master Agreement
“Group”	the Company and its subsidiaries
“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 Jiuhui, Mr. Xie Qiuye and Mr. Yeung Chi Tat, formed to advise the Independent Shareholders the United Power Master Agreement and Longyuan Technology Master Agreement, and the fairness and reasonableness of (certain) the proposed annual caps contemplated thereunder
“Independent Shareholders”	the Shareholders who are not required to abstain from voting in favor of the resolution for approving the proposed resolutions under the Listing Rules
“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 established in the PRC (whose H Shares are listed on the Main Board of the Stock Exchange (stock code: 916))
“Longyuan Technology”	Yantai Longyuan Power Technology Co., Ltd. (煙台龍源電力技術股份有限公司), a joint stock limited company established in the PRC and listed on the Shenzhen Stock Exchange (Stock Code: 300105) and an approximately 23.25%-owned subsidiary of the Company
“Longyuan Technology Master Agreement”	the master agreement entered into between the Company and Longyuan Technology on 29 October 2019 in relation to the purchase and sale of comprehensive goods and services for the years of 2020, 2021 and 2022
“Prospectus”	the Company’s prospectus dated 9 December 2011, as amended and supplemented by a supplemental prospectus dated 20 December 2011
“Shareholder”	holder(s) of Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“United Power”	Guodian United Power Technology Co., Ltd. (國電聯合動力技術有限公司), a limited liability company established in the PRC and a 70% owned subsidiary of the Company
“United Power Lease Agreement”	the master agreement entered into between the Company and United Power on 29 October 2019 in relation to the lease of properties for the years of 2020, 2021 and 2022

“United Power Master Agreement”	the master agreement entered into between the Company and United Power on 29 October 2019 in relation to the purchase and sale of comprehensive goods and services for the years of 2020, 2021 and 2022
“WTG”	wind turbine generator
“%”	percent

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

Beijing, PRC, 29 October, 2019

As at the date of this announcement, 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.

* *For identification purpose only*