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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)

CONNECTED TRANSACTION FORMATION OF THE JV COMPANY

The Board of the Company announced that on 29 October 2021 (after trading hours), Longyuan Environmental, a non-wholly owned subsidiary of the Company, entered into the Investment Agreement with Sutong Holdings, Tianshenggang Power and Lanjian Electric Equipment for the formation of the JV Company. According to the Investment Agreement, the registered capital of the JV Company is RMB100 million. Longyuan Environmental will contribute RMB8 million to the JV Company in cash, accounting for 8% of the total registered capital of the JV Company.

As at the date of this announcement, China Energy holds directly and indirectly approximately 78.40% of the issued share capital of the Company, and is a controlling shareholder of the Company. China Energy and its subsidiaries are connected persons of the Company as defined under Chapter 14A of the Listing Rules. The transactions between the Group and China Energy and its subsidiaries constitute connected transactions of the Company under the Listing Rules. China Energy holds directly and indirectly approximately 58.44% of the issued share capital of Longyuan Power, Longyuan Power holds directly and indirectly approximately 31.94% of the issued share capital of Tianshenggang Power, and Tianshenggang Power is therefore a connected person of the Company. The Investment Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Group's capital contribution to the JV Company under the Investment Agreement is more than 0.1% but less than 5%, the Investment Agreement shall be subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INVESTMENT AGREEMENT ON ESTABLISHMENT OF THE JV COMPANY

On 29 October 2021 (after trading hours), Longyuan Environmental, a non-wholly owned subsidiary of the Company, entered into the Investment Agreement with Sutong Holdings, Tianshenggang Power and Lanjian Electric Equipment for the formation of the JV Company. According to the Investment Agreement, the registered capital of the JV Company is RMB100 million. Longyuan Environmental will contribute RMB8 million to the JV Company in cash, accounting for 8% of the total registered capital of the JV Company. The summary of the major terms of the Investment Agreement is set out as follows:

PARTIES

- (1) Sutong Holdings;
- (2) Tianshenggang Power;
- (3) Longyuan Environmental (a non-wholly owned subsidiary of the Company); and
- (4) Lanjian Electric Equipment.

(hereinafter individually or collectively as the “**Investor(s)**”)

BUSINESS SCOPE OF THE JV COMPANY

The JV Company will engage in power generation and supply (operation shall be subject to permits or approvals); investment, construction, operation and management of power projects; generation and supply of heat; investment, construction, operation and management of heating and compressed air pipe network; purchase and sales of steam, compressed air, hot water and cold water; development, construction, maintenance and technical consultation of clean energy (wind power, photovoltaic, etc.); purchase and sales of electricity; construction and operation of incremental power distribution network; contractual energy management; energy conservation management services; technical services, technology development, technical consultation, technical exchange, technology transfer and technology promotion; carbon asset management and technology development and technology consultation (projects shall be subject to approval in accordance with the law, and operating activities shall be subject to approval of relevant departments before commencement) (subject to the final review by and registration with the administration for market regulation).

The JV Company mainly provides energy supply services (electricity, heating, cooling, compressed air, etc.) for enterprises in Suxitong Park.

NAME OF THE JV COMPANY

The name of the JV Company shall be Suxitong Science and Technology Industrial Park Comprehensive Energy Development Co., Ltd.* (蘇錫通科技產業園綜合能源開發有限責任公司) (tentative name only and subject to the final review and approval of the administration for market regulation).

SHAREHOLDERS OF THE JV COMPANY

Name of shareholder	Amount of capital contribution to the JV Company (RMB)	Percentage of shareholding in the JV Company (%)
Sutong Holdings	51,000,000	51
Tianshenggang Power	38,000,000	38
Longyuan Environmental	8,000,000	8
Lanjian Electric Equipment	3,000,000	3
Total	100,000,000	100

The amount of capital contribution under the Investment Agreement was determined after arm's length negotiation between the Company and the other Investors of the JV Company.

SCHEDULE FOR THE CONTRIBUTION

The amount of the first payment of the capital contribution is RMB50 million, which will be made within one month after the industrial and commercial registration of the JV Company; the amount of the second payment of the capital contribution is RMB50 million, which will be made before 31 December 2023.

The above two payments shall be made by the parties according to their respective contribution percentage. The amount and specific time for the second payment shall be implemented after being approved by the shareholders representing more than two-thirds of the voting rights of the JV Company.

LIABILITIES ON DEFAULT

Any Investor who breaches the Investment Agreement for delinquency on payment or underpayment, and fails to pay the capital contribution in full within 60 days, shall pay the non-breaching Investors liquidated damages at an amount which equals to 3% of the underpayment every month.

Any Investor who does not make the contribution as required which results in the failing of the JV Company to operate normally shall assume the liabilities for its default by paying to the other Investors or the JV Company an amount which equals to 20% of the unpaid capital contribution.

Any Investor who damages the interests of the other Investors or the JV Company deliberately or commits material faults during the establishment of the JV Company shall assume the liabilities for its default by compensating the other Investors or the JV Company.

GOVERNANCE STRUCTURE OF THE JV COMPANY

The board of directors shall consist of seven directors (including one employee director, who shall be democratically elected by the JV Company's employees through the employee meeting or employees' representative meeting or other forms). Non-employee directors shall be recommended by the shareholders and elected by the shareholders at a general meeting, among which two shall be recommended by each of Sutong Holdings and Tianshenggang Power, and one shall be recommended by each of Longyuan Environmental and Lanjian Electric Equipment.

The JV Company shall have one general manager recommended by Tianshenggang Power, one deputy general manager recommended by each of Sutong Holdings and Tianshenggang Power, respectively, and the person-in-charge of finance shall be recommended by Sutong Holdings and appointed or dismissed by the board of directors.

The JV Company shall set up a board of supervisors consisting of three members (including one employee representative supervisor). One supervisor shall be nominated by each of Sutong Holdings and Tianshenggang Power and shall be elected by the shareholders at a general meeting. The employee representative supervisors shall be democratically elected by the employees of the JV Company through the employee meeting or employees' representative meeting or other forms. The board of supervisors shall have one chairman nominated by Sutong Holdings and elected and appointed through more than half of the votes of all the supervisors of the board of supervisors.

REASONS FOR AND BENEFITS OF THE TRANSACTION

There are a large number of industrial enterprises in Suxitong Park with extensive energy demand, which makes it convenient to carry out comprehensive smart energy services such as distributed photovoltaic and heating, compressed air, charging pile, energy equipment custody and operation and maintenance. The terms of the Investment Agreement were determined after arm's length negotiations among all parties. The Directors (including independent non-executive Directors) consider that the terms of the Investment Agreement are determined on normal commercial terms in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its shareholders as a whole. The Directors (including independent non-executive Directors) believe that Longyuan Environmental's participation in the development and construction of energy cooperation projects in Suxitong Park is conducive to its accumulation of park management experience in the planning and management of energy supply in Suxitong Park, construction of comprehensive energy management system in Suxitong Park, promotion of overall energy conservation and consumption reduction in Suxitong Park and realization of fine management; conducive to the exploration of new energy supply, accumulation of project performance in new fields such as steam, compressed air supply and user-side energy storage in Suxitong Park, and realization of a new economic growth point of Longyuan Environmental; conducive to the promotion of corporate transformation and development process of Longyuan Environmental, so as to ensure and enhance the low-carbon and green development of its main business.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Energy holds directly and indirectly approximately 78.40% of the issued share capital of the Company and is a controlling shareholder of the Company. China Energy and its subsidiaries are connected persons of the Company as defined under Chapter 14A of the Listing Rules. The transactions between the Group and China Energy and its subsidiaries constitute connected transactions of the Company under the Listing Rules. China Energy holds directly and indirectly approximately 58.44% of the issued share capital of Longyuan Power, Longyuan Power holds directly and indirectly approximately 31.94% of the issued share capital of Tianshenggang Power, and Tianshenggang Power is therefore a connected person of the Company. The Investment Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Group's capital contribution to the JV Company under the Investment Agreement is more than 0.1% but less than 5%, the Investment Agreement shall be subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Song Chang, Mr. Zhang Wenjian and Mr. Gu Yuchun, being the directors connected with China Energy or its subsidiaries, have abstained from voting on the resolution(s) in relation to the transactions contemplated under the Investment Agreement. Save as disclosed above and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, none of the Directors has any material interests in the formation of the JV Company.

INFORMATION ON THE PARTIES

The Group

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

Longyuan Environmental

Longyuan Environmental is a company incorporated in the PRC with limited liability. Longyuan Environmental is directly held as to 95% and 5% of equity interests by the Company and Beijing Xinyuan Polymerization Management Technology Center (Limited Partnership)* (北京欣源聚合管理技術中心(有限合夥)), its employees' shareholding platform, respectively. Longyuan Environmental is a leading enterprise in the desulfurization and denitrification business of the domestic thermal power industry in the PRC, which is mainly engaged in desulfurization and denitrification engineering, procurement and construction, franchising, environmental protection equipment manufacturing, environmental engineering, water environment treatment and solid waste treatment, etc.

Longyuan Power

Longyuan Power is a joint stock company incorporated in the PRC with limited liability, and is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, Longyuan Power also operates other power projects such as coal power, solar power, tidal, biomass and geothermal energy. Meanwhile, Longyuan Power also provides consultation, repair and maintenance, training and other professional services to wind farms, as well as manufactures and sells power equipment used in the power grids, wind farms and coal power plants. The ultimate beneficial owner of Longyuan Power is China Energy.

Sutong Holdings

Sutong Holdings is a company incorporated in the PRC with limited liability. Its main responsibility is to act as the financing platform and project implementation entity of Suxitong Park. It is mainly engaged in development and operation of properties and first-class development and consolidation of land, infrastructure investment, construction, engineering management and investment in industrial projects and fund management of government investment. The ultimate beneficial owner of Sutong Holdings is Nantong People's Government. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Sutong Holdings is an Independent Third Party.

Tianshenggang Power

Tianshenggang Power is a company incorporated in PRC with limited liability and is a subsidiary of Longyuan Power and mainly engaged in production and sales of electricity, heat and related products, port operations for cargo unloading and warehousing, and thermal power unit inspection and maintenance, etc. The ultimate beneficial owner of Tianshenggang Power is China Energy.

Lanjian Electric Equipment

Lanjian Electric Equipment is a company incorporated in the PRC with limited liability, which is a leading enterprise in the field of manufacturing high and low voltage distribution cabinets and switch cabinets, electrical and related energy equipment. The main business mainly includes manufacture of security equipment, manufacture of power electronic components, manufacture of power transmission and distribution and control equipment, intelligent power transmission and distribution and sales of control equipment, and manufacture and sales of power distribution switch control equipment. Lanjian Electric Equipment mainly gives play to the advantages of related equipment manufacturing enterprises in the energy construction of Suxitong Park. The ultimate beneficial owners of Lanjian Electric Equipment are Gao Xiaoling, Yu Aiping and Gao Xiaochun. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Lanjian Electric Equipment and its ultimate beneficial owners are Independent Third Parties.

DEFINITIONS

“Board”	the board of directors of the Company
“China Energy”	China Energy Investment Corporation Limited* (國家能源投資集團有限責任公司), a company incorporated in the PRC with limited liability, being a controlling shareholder of the Company
“Company”	Guodian Technology & Environment Group Corporation Limited* (國電科技環保集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 1296)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party”	any entity or person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning under the Listing Rules
“Investment Agreement”	the investment cooperation agreement entered into by Sutong Holdings, Tianshenggang Power, Longyuan Environmental and Lanjian Electric Equipment on 29 October 2021 in relation to the establishment of the JV Company
“JV Company”	Suxitong Science and Technology Industrial Park Comprehensive Energy Development Co., Ltd.* (蘇錫通科技產業園綜合能源開發有限責任公司) (tentative name only and subject to the final review and approval of the administration for market regulation), a company to be incorporated in the PRC with limited liability pursuant to the Investment Agreement

“Lanjian Electric Equipment”	Shanghai Lanjian Electric Equipment Nantong Co., Ltd.* (上海藍箭電控設備南通有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Longyuan Environmental”	Guoneng Longyuan Environmental Co., Ltd.* (國能龍源環保有限公司), a company incorporated in the PRC with limited liability, being a non-wholly owned subsidiary of the Company
“Longyuan Power”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), a joint stock limited liability company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 916)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sutong Holdings”	Nantong Sutong Technology Industry Park Holding Development Limited* (南通蘇通科技產業園控股發展有限公司), a company incorporated in the PRC with limited liability
“Suxitong Park”	Suxitong Science and Technology Industrial Park* (蘇錫通科技產業園區)
“Tianshenggang Power”	Nantong Tianshenggang Power Generation Co., Ltd.* (南通天生港發電有限公司), a company incorporated in the PRC with limited liability
“%”	per cent

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

Beijing, PRC, 29 October 2021

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

* For identification purposes only