

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Merger, this document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser (including tax adviser).

If you have sold or transferred all your shares in the Company, you should at once hand this document and the accompanying forms of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**Beijing Chunhui Qingyun Technological and
Environmental Corporation Limited***
*(a company incorporated in the People's Republic of
China with limited liability)*



國電科技環保集團股份有限公司
GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 01296)

**(1) PROPOSED PRIVATISATION OF GUODIAN TECHNOLOGY BY CHUNHUI
ENVIRONMENTAL BY WAY OF MERGER BY ABSORPTION OF GUODIAN
TECHNOLOGY**
(2) PROPOSED WITHDRAWAL OF LISTING
**(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING
AND**
(4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

Financial adviser to the Offeror



CICC
中金公司

Independent Financial Adviser to the Independent Board Committee



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this document.

A letter from the Board is set out on pages 1 to 24 of this document. A letter from the Independent Board Committee to the Independent H Shareholders is set out on pages 25 to 26 of this document. A letter from Gram Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 27 to 50 of this document.

The notices convening the EGM and the H Shareholders' Class Meeting to be held at Suite 1212, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the PRC on Friday, 20 May 2022 (i) in relation to the EGM, 9:30 a.m., and (ii) in relation to the H Shareholders' Class Meeting, 10:00 a.m., or immediately following the conclusion of the EGM or any adjournment thereof are contained in this document. Shareholders are advised to read the notices and to complete and return the enclosed forms of proxy for use at the EGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon. If you intend to attend the EGM and H Shareholders' Class Meeting, please complete and return the appropriate reply slip in accordance with the instructions printed thereon as soon as possible and in any event by no later than Thursday, 12 May 2022.

Whether or not you are able to attend and vote at the EGM and H Shareholders' Class Meeting or any adjournment thereof in person, you are requested to complete and return the accompanying forms of proxy in accordance with the instructions printed thereon and return them to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H Shares) or the head office of the Company in the PRC (for holders of Domestic Shares), together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), as soon as possible and in any event not later than 24 hours before the time appointed for holding the EGM and the H Shareholders' Class Meeting or any adjournment thereof (as the case may be).

Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM, the H Shareholders' Class Meeting or any adjournment thereof should you so wish and in such event, the forms of proxy shall be deemed to be revoked.

This document is jointly issued by the Offeror and the Company.

PRECAUTIONARY MEASURES FOR THE EGM AND H SHAREHOLDERS' CLASS MEETING

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

- (1) Check the health code
- (2) Compulsory temperature screening/checks
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks
- (5) No entry will be allowed to any person who is subject to mandatory quarantine order imposed by the PRC government

Attendees who do not comply with the precautionary measures referred to in (1) to (5) above may be denied entry to the meeting venue, at the absolute discretion of the Company as permitted by law. Those being refused entry at the meeting venue would still be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM and/or the H Shareholders' Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the relevant meetings as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM and/or the H Shareholders' Class Meeting in person.

Shareholders and their proxies, if attending the EGM and H Shareholders' Class Meeting in person, must pay attention to and strictly comply with the applicable regulations and requirements in Beijing, the PRC regarding the declaration of health status, quarantine and observation.

Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

* For identification purposes only

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Unless otherwise expressly stated, references to times and dates in this document are to Hong Kong times and dates.

Latest date for receiving reply slips for the EGM and the

H Shareholders' Class Meeting Thursday, 12 May 2022

Latest time for lodging transfers of

H Shares in order to be entitled to attend and vote at the EGM and the

H Shareholders' Class Meeting 4:30 p.m. on Tuesday, 17 May 2022

Closure of registers for transfers of Shares for determination

of the Shareholders entitled to attend and vote at the EGM and the

H Shareholders' Class Meeting Wednesday, 18 May 2022 to Friday,
20 May 2022 (both dates inclusive)

Latest time for lodging proxy forms in respect of the EGM. 9:30 a.m. on Thursday, 19 May 2022

Latest time for lodging proxy forms in respect of the

H Shareholders' Class Meeting 10:00 a.m. on Thursday, 19 May 2022

Record date for Shareholders for the EGM and the H Shareholders for the

H Shareholders' Class Meeting Friday, 20 May 2022

EGM. 9:30 a.m. on Friday, 20 May 2022

H Shareholders' Class Meeting 10:00 a.m. on Friday,
20 May 2022, or immediately following the
conclusion of the EGM or any
adjournment thereof on Friday, 20 May 2022

EXPECTED TIMETABLE

| | |
|---|---|
| Announcement of the results of the EGM and the H Shareholders' Class Meeting | by 7:00 p.m. on Friday, 20 May 2022 |
| Expected date for all Conditions to effectiveness to be satisfied | Friday, 20 May 2022 |
| Announcement of the satisfaction of all Conditions to effectiveness, last day for dealings in H Shares and expected date of withdrawal of listing of H Shares | Friday, 20 May 2022 |
| Resumption of registers for transfer of Shares | Monday, 23 May 2022 |
| Each of the Offeror and the Company notifies its creditors and makes a public announcement of the Merger pursuant to the PRC Company Law | Within 10 days (for the notice to creditors) i.e. by 29 May 2022 and 30 days (for the announcement) i.e. by 18 June 2022 following the EGM and the H Shareholders' Class Meeting |
| Last day for dealings in H Shares | Monday, 23 May 2022 |
| Latest time for lodging transfers of H Shares in order to be entitled to receive the Cancellation Price | 4:30 p.m. on Thursday, 26 May 2022 |
| Closure of registers of members of the Company (until the Company's deregistration occurs) | From Friday, 27 May 2022 onwards |
| Announcement that all the Conditions to implementation are satisfied (or waived, as applicable) | Before 8:30 a.m. on Monday, 30 May 2022 |
| Expected date and time of withdrawal of listing of H Shares | 9:00 a.m. on Monday, 30 May 2022 |
| Latest date for payment of the Cancellation Price ⁽¹⁾ | Thursday, 9 June 2022 |
| End of the period during which creditors may request the Offeror and the Company to pay off their respective indebtedness or provide guarantees | Within 30 days after the receipt of notice by creditors or 45 days after the issue of announcement to creditors (whichever is the latest) |

Note:

- (1) Payment of Cancellation Price will be made by way of cheques, which will be sent by ordinary post at the risk of the persons entitled thereto.

EXPECTED TIMETABLE

The Offeror and the Company will jointly publish announcement(s) when or as soon as reasonably practicable after all Conditions to effectiveness of the Merger Agreement have been satisfied and the Conditions to implementation of the Merger have been satisfied or waived, as appropriate.

The Shareholders and potential investors in the securities of the Company should be aware that the Merger is subject to the Conditions set out in this document being satisfied or waived, as applicable, and neither the Offeror nor the Company provides any assurance that any or all of the Conditions can be satisfied, and thus the Merger Agreement may or may not become effective or, if effective, may or may not be implemented or completed. Shareholders and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company.

Persons who are in doubt as to the action to take and the implications arising from the Merger should consult their stockbroker, bank manager, solicitor or other professional advisers (including tax adviser regarding the tax consequences of the cancellation of the H Shares and the implementation of the Merger).

IMPORTANT NOTICE

NOTICE TO U.S. HOLDERS OF SHARES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to this document following this disclaimer page and you are therefore advised to read this disclaimer page carefully before accessing, reading or making any other use of this document. In, and as a result of, accessing this document you agree, and you are deemed to agree, to be bound by the following terms and conditions.

The Merger will involve the cancellation of the securities of a company incorporated in the PRC with limited liability by means of a merger by absorption provided for under the laws of the PRC. The Merger is subject to Hong Kong disclosure requirements, which are different from those of the United States. The financial information included in this document has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The Merger will be made in the United States pursuant to the applicable U.S. tender offer rules or certain available exemptions or exceptions therefrom and otherwise in accordance with the requirements of the Hong Kong laws. Accordingly, the Merger will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

The receipt of cash as consideration for the cancellation of its Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of the implementation of the Merger.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as the Offeror and the Company are located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Merger, before or during the Offer Period. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, CICC and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (1) any such purchase or arrangement complies with applicable law, including but not limited to the Takeovers Code, and is made outside the United States and (2) the Cancellation Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC in accordance with the requirements of the Takeovers Code and, to the extent made public by the SFC, will be available on the website of the SFC at <http://www.sfc.hk>.

ACTIONS TO BE TAKEN

Whether or not they are able to attend the EGM or the H Shareholders' Class Meeting (where applicable) in person, the Shareholders are strongly urged to indicate their voting instructions and complete and sign the enclosed form of proxy in respect of the EGM in accordance with the instructions printed thereon and the H Shareholders are strongly urged to indicate their voting instructions and complete and sign the enclosed form of proxy in respect of the H Shareholders' Class Meeting in accordance with the instructions printed thereon as soon as possible, but in any case not later than the following respective times:

- (1) in the case of the form of proxy for use at the EGM, the Shareholders are requested to deposit such form of proxy no later than 9:30 a.m. on Thursday, 19 May 2022 at the Company's registrar for H Shares (in respect of H Shareholders) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or at the head office of the Company in the PRC (in respect of Domestic Shareholders) at Suite 1225, Building 1, Yard 16, W.4th Ring Middle Road, Haidian District, Beijing, PRC; and
- (2) in the case of the form of proxy for use at the H Shareholders' Class Meeting, the H Shareholders are requested to deposit such form of proxy no later than 10:00 a.m. on Thursday, 19 May 2022 at the Company's registrar for H Shares at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The completion and return of a form of proxy for any of the meetings will not preclude you from attending and voting in person at the relevant meetings or any adjournment thereof, should you so wish. In the event that you attend and vote at any of the meetings or any adjournment thereof after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

If you are eligible and intend to attend the relevant meetings, please complete and return the relevant reply slips in accordance with the instructions printed thereon. Reply slips should be returned as soon as possible (but in any event not later than eight (8) days before the scheduled date for holding the relevant meetings or any adjournment thereof).

For the purpose of determining the entitlements of the Shareholders to attend and vote at the EGM and the H Shareholders to attend and vote at the H Shareholders' Class Meeting, the Company's registers of members will be closed from Wednesday, 18 May 2022 to Friday, 20 May 2022 (both dates inclusive). During such period, no transfer of Shares will be effected.

Only Shareholders whose names are on the Company's registers of members on Friday, 20 May 2022 are entitled to vote at the relevant meetings. Each Shareholder on the Company's registers of members on Friday, 20 May 2022 is entitled to cast one vote per Share in respect of the Merger in the EGM. Each H Shareholder on the Company's registers of members on Friday, 20 May 2022 is entitled to cast one vote per H Share in respect of the Merger in the H Shareholders' Class Meeting.

An announcement will be made by the Company in relation to the result of EGM and the H Shareholders' Class Meeting. Further announcement(s) will be made before/after the satisfaction or waiver, as appropriate, of the Conditions to effectiveness of the Merger Agreement and Conditions to implementation of the Merger.

DEFINITIONS

In this document, the following expressions have the meanings set out below, unless the context requires otherwise:

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|--|--|
| “Articles” | the articles of association of the Company (including the rules of procedures for shareholders’ general meetings and the rules of procedures for board meetings); |
| “Board” | board of Directors; |
| “business day” | a day on which the Stock Exchange is open for the transaction of business; |
| “Cancellation Price” | the cancellation price of HK\$1.08 per H Share payable in cash by the Offeror to the H Shareholders; |
| “China Energy” | China Energy Investment Corporation Limited* (國家能源投資集團有限責任公司) (whose de facto controller is SASAC), which directly and indirectly holds (1) 100% of the shares of the Offeror and (2) approximately 78.40% of the Company’s issued share capital as at the Latest Practicable Date; |
| “CHN Energy International Development” | CHN Energy International Development Co., Limited (國家能源集團國際發展有限公司), a company incorporated in Hong Kong with limited liability which is wholly-owned by China Energy; |
| “CHSTE” | China High Speed Transmission Equipment Group Co., Ltd.; |
| “CHSTE IU Shares” | the total of 50,093,000 H Shares held by CHSTE, representing approximately 0.83% of the issued share capital of the Company and approximately 3.82% in the H Shares of the Company as at the Latest Practicable Date; |
| “CICC” | China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Offeror in respect of the Merger. CICC is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities; |
| “CICC group” | CICC and persons controlling, controlled by or under the same control as CICC; |

DEFINITIONS

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| “Company” or “Guodian Technology” | Guodian Technology & Environment Group Corporation Limited* (國電科技環保集團股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed and traded on the Stock Exchange (Stock Code: 1296); |
| “Conditions” | has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document; |
| “Conditions to effectiveness” | has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document; |
| “Conditions to implementation” | has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document; |
| “Consenting Shareholders” | has the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document; |
| “Declaration Period” | a period commencing on the Delisting Date and expiring on the fifth (5th) business day from (and including) the Delisting Date, during which any Dissenting Shareholder may declare to exercise its right; |
| “Delisting Date” | the date on which the listing of the Company on the Stock Exchange has been withdrawn; |
| “Director(s)” | director(s) of the Company; |
| “Dissenting Shareholder” | a Shareholder who has validly voted against the resolutions in respect of the Merger at the EGM and the H Shareholders’ Class Meeting and has requested the Company or the Consenting Shareholders to acquire its Shares at a “fair price”; |
| “Domestic Share(s)” | the domestic shares of the Company, with a RMB denominated par value of RMB1.00 each, representing approximately 78.40% of the issued share capital of the Company as at the Latest Practicable Date; |

DEFINITIONS

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| “Domestic Shareholder(s)” | the holder(s) of Domestic Share(s); |
| “EGM” | the extraordinary general meeting of the Company to be convened, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements; |
| “Exchange Rate” | the exchange rate of HK\$1: RMB0.81422, which was the latest available central parity rate of RMB to Hong Kong Dollar as at the date of the Joint Announcement as announced by the People’s Bank of China; |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director; |
| “Exercise Date” | the date on which the Company and/or the Consenting Shareholders (or the Offeror, if so elected by the Company and/or the Consenting Shareholders) pays cash consideration to Dissenting Shareholders who exercise their right to acquire the Shares held and effectively declared by them at “fair price”, which will be decided and announced by the Company; |
| “Group” | the Company and its subsidiaries; |
| “Guodian Power” | Guodian Power Development Co., Ltd. (國電電力發展股份有限公司), a company incorporated in the PRC with limited liability and owned as to approximately 50.68% by China Energy and is a subsidiary of China Energy, whose shares are listed and traded on the Shanghai Stock Exchange, which directly holds approximately 39.19% of the Company’s issued share capital as at the Latest Practicable Date; |
| “H Share(s)” | the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in Hong Kong dollars and are listed and traded on the Stock Exchange, representing approximately 21.60% of the issued share capital of the Company as at the Latest Practicable Date; |
| “H Shareholder(s)” | the holder(s) of H Shares; |
| “H Shareholders’ Class Meeting” | class meeting of the Company to be convened for H Shareholders, or any adjournment thereof, to consider and, if thought fit, approve the Merger Agreement, the Merger and relevant arrangements; |

DEFINITIONS

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| “HK\$” or “Hong Kong Dollar” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Independent Board Committee” | the independent board committee established by the Company for the purposes of considering the Merger, which comprises all of the independent non-executive Directors, being Mr. SHEN Xiaoliu, Mr. QU Jiuhui, Mr. XIE Qiuye and Mr. YEUNG Chi Tat; |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in respect of the Merger; |
| “Independent H Shareholders” | H Shareholders other than the Offeror, China Energy and their respective concert parties (including Guodian Power); |
| “Irrevocable Undertakings” | the irrevocable undertakings given by (i) SAIF dated 28 January 2022 and (ii) CHSTE dated 15 March 2022, in respect of an aggregate of 338,293,000 Shares, each an “Irrevocable Undertaking”, as described in the section headed “5. Irrevocable Undertakings” in the “LETTER FROM THE BOARD” in this document; |
| “IU Shareholders” | CHSTE and SAIF; |
| “IU Shares” | CHSTE IU Shares and SAIF IU Shares; |
| “Joint Announcement” | the announcement jointly published by the Offeror and the Company dated 24 January 2022, which states, amongst other things, the proposal of the Merger of the Offeror and the Company in accordance with the Merger Agreement; |
| “Last Trading Date” | 19 January 2022, the last trading day prior to the suspension of trading in the H Shares on the Stock Exchange pending the issue of the Joint Announcement; |
| “Latest Practicable Date” | 26 April 2022, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained therein; |

DEFINITIONS

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| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Long-stop Date” | 31 December 2022, being the last date the Pre-Conditions, the Conditions to effectiveness and the Conditions to implementation can be satisfied, unless the Offeror and the Company otherwise agree, subject to the consent of the SFC; |
| “Merger” | the proposed merger by absorption of the Company by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws as contemplated under the Merger Agreement; |
| “Merger Agreement” | the merger agreement entered into between the Offeror and the Company on 24 January 2022 in relation to the Merger; |
| “Offer Period” | has the meaning ascribed to it under the Takeovers Code, being the period commencing on 24 January 2022 (the date of the Joint Announcement) and ending on the Delisting Date or the date on which the Merger is not approved or otherwise lapses, whichever is earlier; |
| “Offeror” or “Chunhui Environmental” | Beijing Chunhui Qingyun Technological and Environmental Corporation Limited* (北京春暉青雲科技環保有限公司), a company incorporated in the PRC with limited liability which is wholly-owned by China Energy; |
| “Operating Agreement” | the agreement entered into between the Offeror, China Energy and Guodian Power on 24 January 2022 as further described in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document; |

DEFINITIONS

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| “PRC” or “China” | the People’s Republic of China, which for the purposes of this document does not include Hong Kong, the Macau Special Administrative Region and Taiwan unless the context otherwise specifies; |
| “PRC Company Law” | the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time; |
| “PRC Laws” | any and all laws, regulations, statutes, rules, decrees, notices, and supreme court’s judicial interpretations as may be in force and publicly available in the PRC from time to time; |
| “Pre-Conditions” | have the meaning given to it in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the “LETTER FROM THE BOARD” in this document; |
| “Relevant Period” | the period commencing from 24 July 2021 (i.e. the date that is six months prior to the publishing date of the Joint Announcement) and ending on the Latest Practicable Date; |
| “Right” | the right of any Dissenting Shareholder to request the Company and/or the Consenting Shareholders (or the Offeror, if so elected by the Company and/or the Consenting Shareholders) to acquire its Shares at a “fair price” during the Declaration Period; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “SAIF” | SAIF Partners IV L.P.; |
| “SAIF IU Shares” | the total of 288,200,000 H Shares held by SAIF, representing approximately 4.75% of the issued share capital of the Company and approximately 22.00% in the H Shares of the Company as at the Latest Practicable Date; |
| “SASAC” | the State-owned Assets Supervision and Administration Commission of the State Council of the PRC; |
| “SFC” | the Securities and Futures Commission of Hong Kong; |

DEFINITIONS

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| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time); |
| “Shareholders” | H Shareholders and Domestic Shareholders; |
| “Shares” | collectively, H Shares and Domestic Shares; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Takeovers Code” | the Code on Takeovers and Mergers published by the SFC (as revised, supplemented or otherwise modified from time to time); |
| “trading day” | a day on which the Stock Exchange is open for dealing or trading in securities; |
| “United States” or “U.S.” | the United States of America, its territories and possessions, any State of the United States and the District of Columbia; |
| “U.S. Exchange Act” | the U.S. Securities Exchange Act of 1934, as amended; and |
| “%” | per cent. |

* *For identification purposes only*

LETTER FROM THE BOARD



國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

Executive Directors:

Mr. CHEN Dongqing (*Chairman*)

Mr. LI Caiyun

Non-executive Directors:

Mr. SONG Chang

Mr. JIANG Jianwu

Mr. ZHANG Wenjian

Mr. GU Yuchun

Ms. GE Xiaojing

Independent non-executive Directors:

Mr. SHEN Xiaoliu

Mr. QU Jihui

Mr. XIE Qiuye

Mr. YEUNG Chi Tat

Legal address:

Suite 1101, 11/F, Building 1

Yard 16, W.4th Ring Middle Road

Haidian District

Beijing, PRC

Principal office in the PRC:

Building 1

Yard 16, W. 4th Ring Middle Road

Haidian District

Beijing, PRC

Principal place of business in Hong Kong:

31/F, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

29 April 2022

To the Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION OF GUODIAN TECHNOLOGY BY CHUNHUI
ENVIRONMENTAL BY WAY OF MERGER BY ABSORPTION OF GUODIAN
TECHNOLOGY**

LETTER FROM THE BOARD

1. INTRODUCTION

On 24 January 2022, the Offeror and the Company published the Joint Announcement to announce that the Offeror and the Company have entered into the Merger Agreement with respect to the Merger. After the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

2. PROPOSED TRANSACTION

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” below, the Offeror will pay the Cancellation Price in the amount of HK\$1.08 per H Share to the H Shareholders for the cancellation of the H Shares (the payment by the Offeror to China Energy and Guodian Power for the cancellation of the Domestic Shares held by them is set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” below).

The amount of aggregate Cancellation Price required to be paid by the Offeror to cancel the H Shares held by H Shareholders is HK\$1,414,551,600.00.

After the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered.

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement include:

Parties

- (1) The Offeror; and
- (2) the Company.

Overview of the Merger

Subject to the terms and conditions of the Merger Agreement, which will involve the cancellation of all the Shares of the Company and the subsequent absorption of the Company by the Offeror, the Merger will be implemented by the Offeror merging the Company by way of merger by absorption.

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After the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered.

Consideration

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions, the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed “Pre-Conditions to the Merger Agreement becoming effective”, “Conditions to effectiveness” and “Conditions to implementation” below, the Offeror will pay the Cancellation Price for the cancellation of the H Shares in the amount of HK\$1.08 per H Share to the H Shareholders.

Pursuant to the Merger Agreement and subject to the same conditions as stated above, in consideration for the cancellation of their Domestic Shares:

- (1) China Energy will be issued with RMB0.8793576 registered capital of the Offeror for each Domestic Share, which is equivalent to the Cancellation Price in RMB based on the Exchange Rate for each Domestic Share; and
- (2) Guodian Power will receive the consideration for the cancellation of its Domestic Shares in the same way as China Energy as described above.

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China Energy, Guodian Power and the Offeror have entered into the Operating Agreement to document the parties' agreement to the issue of the Offeror's registered capital to China Energy and Guodian Power for the cancellation of the Domestic Shares held by them.

Upon completion of the cancellation of the Shares and the issue of registered share capital in the Offeror to China Energy and Guodian Power, the Offeror would be held as to 60.81% by China Energy and 39.19% by Guodian Power.

Pre-Conditions to the Merger Agreement becoming effective

The Merger Agreement is subject to the satisfaction of the pre-conditions, being (1) the approval and execution by the directors of Guodian Power of the Operating Agreement as a connected transaction under PRC requirements, and (2) the filing, registration or approval, as applicable, with or by (a) the National Development and Reform Commission of the PRC, (b) Ministry of Commerce of the PRC, (c) the China Securities Regulatory Commission (if applicable) and (d) the State Administration of Foreign Exchange of the PRC, or their respective local authorities, and such other applicable governmental approvals in respect of the Merger having been obtained or completed (collectively, the "**Pre-Conditions**"). Save for the governmental approvals as mentioned in (2) above, the Offeror is not currently aware of any other applicable governmental approvals which are required in respect of the Merger.

The above Pre-Conditions are not waivable. If the Pre-Conditions are not satisfied by the Long-stop Date, the Merger Agreement will not become effective and will be automatically terminated.

The Pre-Conditions have been fulfilled (as disclosed in the joint announcement dated 22 April 2022 made by the Offeror and the Company).

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Conditions to effectiveness

After the Pre-Conditions are satisfied, the Merger Agreement shall become effective upon satisfaction of all of the following conditions (none of which is capable of being waived) (the “**Conditions to effectiveness**”):

- (1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and the PRC Laws; and
- (2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders’ Class Meeting to be convened for this purpose, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to effectiveness are not satisfied by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed “Termination” in this section.

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Conditions to implementation

After the Merger Agreement becomes effective upon satisfaction of the Pre-Conditions and all the Conditions to effectiveness, the implementation of the Merger shall be subject to the following conditions being satisfied (the “**Conditions to implementation**”, together with the Conditions to effectiveness, collectively, the “**Conditions**”):

- (1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;
- (2) there being no material breach of the representations, warranties or undertakings given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger; and
- (3) there being no law, restriction or prohibition of any governmental authority or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger.

The Company shall be entitled to waive Condition (1) above and the Offeror shall be entitled to waive Condition (2) above. Condition (3) above is not capable of being waived. If the above Conditions to implementation are not satisfied or waived, as applicable, by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed “Termination” in this section. As at the Latest Practicable Date, the Conditions have not yet been fulfilled.

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Payment of consideration

The Offeror shall, as soon as possible and in any event no later than seven (7) business days after fulfilment (or waiver, if applicable) of the Pre-Conditions and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), pay the Cancellation Price for the cancellation of the H Shares to all H Shareholders. The Offeror will issue its registered capital to China Energy and Guodian Power for the cancellation of the Domestic Shares held by them after the above pursuant to the Merger Agreement and the Operating Agreement.

After payment of consideration is made to the Shareholders by or on behalf of the Offeror, all rights attaching to such Shares shall cease to have effect and the relevant Shares shall be cancelled. The share certificates for the relevant Shares will cease to have effect as documents or evidence of title.

Dividend

Unless with the prior written consent of the Offeror, the Company shall not declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders since the date of the Merger Agreement. As at the Latest Practicable Date, the Company has not declared any dividend that has not been paid, and has no intention to declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders.

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Right of a Dissenting Shareholder According to the Articles, any Dissenting Shareholder may request the Company and/or other Shareholders who have approved the Merger (collectively, the “**Consenting Shareholders**”) to acquire its Shares at a “fair price”. Such written notice (which, together with relevant documents, may be collected at the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong) should be lodged with the Company at Suite 1225, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the PRC by hand or by post within the Declaration Period.

If any Dissenting Shareholder exercises its right, the Dissenting Shareholder must refund the Cancellation Price (if received) to the Offeror within 5 business days of the Delisting Date in order to be entitled to exercise such right, and the Offeror will assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by that Dissenting Shareholder at a “fair price”.

The exercise of its right by a Dissenting Shareholder is subject to the following criteria:

- (1) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger at the EGM and the H Shareholders’ Class Meeting;
- (2) such Dissenting Shareholder having been validly registered as a shareholder on the share register of the Company since the record date for the EGM and the H Shareholders’ Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Exercise Date; and

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- (3) such Dissenting Shareholder having exercised its right during the Declaration Period.

A Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if:-

- (1) such Shareholder has undertaken to the Company to waive its right;
- (2) such Shareholder is prohibited from exercising its right in accordance with applicable laws; or
- (3) any Share held by such Shareholder is subject to pledge, other third-party rights or judicial moratorium, without having legally obtained written consent or approval obtained from the relevant pledgee, third party or competent authority.

There is no guidance on how the “fair price” will be determined under the PRC Laws. Thus no assurance can be given as to any favourable results to the Dissenting Shareholders who have validly exercised the Right and costs may be incurred by the Dissenting Shareholders in the process of exercising the Right and determining the “fair price”. For the avoidance of doubt, regardless of when the Dissenting Shareholder exercises the Right, the Dissenting Shareholder will be deemed to have ceased to have any right in respect of the Shares (other than the right to request for consideration pursuant to exercise of the Right) on the date for payment of the Cancellation Price.

Termination

The Merger Agreement may be terminated in any of the following circumstances:

- (1) by either the Offeror or the Company, if
 - (i) any competent governmental authority issues any order, decree, ruling or take any other actions which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action prior to exercising any right of termination);

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- (ii) the Conditions to effectiveness not having been satisfied on or before the Long-stop Date; or
 - (iii) the Conditions to implementation not having been satisfied or if applicable waived on or before the Long-stop Date;
- (2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger Agreement which has a material impact on the Merger and such breach is not remedied by the Company within 30 days following written notice from the Offeror; or
- (3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger Agreement which has a material impact on the Merger and such breach is not remedied by the Offeror within 30 days following written notice from the Company.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror and the Company may only invoke any or all of the conditions set out in the paragraph headed “Conditions to implementation” in this section or terminate the Merger Agreement in accordance with the paragraph headed “Termination ” in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to the Offeror in the context of the Merger.

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4. CANCELLATION PRICE

(1) Comparison of value

The Cancellation Price is HK\$1.08 per H Share.

The Cancellation Price per H Share represents:

- (a) a premium of approximately 47.95% over the closing price per H Share of HK\$0.73 on the Stock Exchange on the Last Trading Date;
- (b) a premium of approximately 89.47% over the average closing price of HK\$0.57 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 103.77% over the average closing price of HK\$0.53 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 107.69% over the average closing price of HK\$0.52 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;
- (e) a premium of approximately 120.41% over the average closing price of HK\$0.49 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date;
- (f) a premium of approximately 1.89% over the closing price of HK\$1.06 per H Share on the Stock Exchange on the Latest Practicable Date;

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- (g) a discount of approximately 13.60% to the Company's audited net asset value attributable to the Shareholders per Share of approximately RMB1.02 (equivalent to approximately HK\$1.25) per Share as at 31 December 2021, based on the exchange rate of HK\$1: RMB0.8176, being the median exchange rate on 31 December 2021 as announced by the State Administration of Foreign Exchange of the PRC; and
- (h) a discount of approximately 6.90% to the Company's unaudited net asset value attributable to the Shareholders per Share of approximately HK\$1.16 as at 30 June 2021, based on the exchange rate of HK\$1: RMB0.83208, being the median exchange rate on 30 June 2021 as announced by the State Administration of Foreign Exchange of the PRC.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong in recent years.

The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.

(2) Highest and lowest prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.06 on 31 March 2022, 1 April 2022, 6 April 2022, 25 April 2022 and 26 April 2022, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$0.41 on 9 August 2021 and 10 August 2021.

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(3) Funding for the Merger

On the basis of (i) the Cancellation Price of HK\$1.08 per H Share, (ii) 1,309,770,000 H Shares in issue as at the Latest Practicable Date, and (iii) the Cancellation Price for 2,377,500,000 Domestic Shares held directly by China Energy and 2,376,500,000 Domestic Shares held directly by Guodian Power is to be satisfied through the issuance of the registered capital of the Offeror as described in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” above, the amount of Cancellation Price required to be paid by the Offeror to cancel the H Shares held by H Shareholders is HK\$1,414,551,600.00.

CHN Energy International Development has undertaken with the Offeror to pay on its behalf the total consideration for cancellation of the H Shares.

The payment of the total consideration will be financed by way of capital injection and/or intra-group borrowings from China Energy and its subsidiaries.

Settlement of the consideration to which any Shareholder is entitled will be implemented in full in accordance with the terms of the Merger Agreement without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

The Offeror has appointed CICC as its financial adviser in respect of the Merger. CICC, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the satisfaction of the Offeror’s obligations in respect of the full implementation of the Merger (excluding the Cancellation Price payable to China Energy and Guodian Power in the form of registered capital of the Offeror).

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5. IRREVOCABLE UNDERTAKINGS

The Offeror and China Energy obtained the Irrevocable Undertakings from (i) SAIF on 28 January 2022 and (ii) CHSTE on 15 March 2022, pursuant to which each of the IU Shareholders has irrevocably undertaken to China Energy and the Offeror to exercise or procure the exercise of all voting rights (whether on a show of hands or a poll and whether in person or by proxy) attaching to the IU Shares:

- (1) at any EGM or H Shareholders' Class Meeting, in favour of all the resolutions to approve the Merger and any matters in connection with the Merger;
- (2) otherwise exercise (or procure the exercise of) the voting rights attached to the IU Shares in accordance with the instruction of the Offeror on any resolution which may impact on the success of the Merger; and
- (3) exercise (or procure the exercise of) the voting rights attached to the IU Shares against any resolution which (a) might reasonably be expected to restrict, impede or delay implementation of the Merger; or (b) approves or gives effect to a proposal by a person other than the Offeror, to acquire (or have issued to it) any Shares or any assets of the Company.

The 338,293,000 Shares held by the IU Shareholders which are the subject of the Irrevocable Undertakings represented approximately 5.58% of the total issued share capital of the Company and approximately 25.83% of the H Shares of the Company as at the Latest Practicable Date.

Restrictive Covenants

Each of the IU Shareholders has irrevocably undertaken not to directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise deal in any interest in the IU Shares between the date of the respective Irrevocable Undertakings and the earlier of (1) the date of completion of cancellation of the IU Shares pursuant to the terms of the Merger; and (2) the date when the Merger does not take effect, lapses or is withdrawn.

Representations, warranties, undertakings and indemnities

Each of the IU Shareholders has represented, warranted and undertaken to China Energy and the Offeror in relation to the ownership of the IU Shares and other matters related to the Merger including ownership in the securities of the Company, no encumbrances, due incorporation, obtaining of approvals and binding force of the respective Irrevocable Undertakings.

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Termination

Each of Irrevocable Undertakings will terminate and the parties' obligations thereunder will cease if the Merger does not take effect, lapse or is withdrawn in circumstances permitted under the Takeovers Code. There are no other circumstances pursuant to which the Irrevocable Undertakings may be terminated.

The information about the IU Shareholders are as follows:

(1) **SAIF**

As at the Latest Practicable Date, SAIF held 288,200,000 H Shares, representing approximately 4.75% of the total issued share capital of the Company and approximately 22.00% of the H Shares of the Company.

(2) **CHSTE**

As at the Latest Practicable Date, CHSTE held 50,093,000 H Shares, representing approximately 0.83% of the total issued share capital of the Company and approximately 3.82% of the H Shares of the Company.

6. REASONS AND BENEFITS OF THE MERGER

The reasons and benefits of the Merger include:-

- (1) The Company has lost the advantage as a listing platform with limited equity fund-raising ability. Since the listing of the H Shares on the Stock Exchange, the Company has not raised any funds through equity issuance. As the Company's H Shares have been trading at a relatively low price range with sluggish trading volume for most of the time, its ability to raise funds from the equity market is significantly limited. After the implementation of the Merger, the H Shares will be delisted from the Stock Exchange, which may benefit the Company from saving in costs related to compliance and maintenance of the listing status of the Company.
- (2) The growth rate of the Company's performance has lowered due to the slowdown in the growth of coal-fired electricity generation of downstream customers. Impacted by the goals of peak carbon dioxide emissions and carbon neutrality as well as development strategy in the PRC, the growth of installed capacity of coal-fired electricity has slowed down significantly. According to the data of China Electricity Council, the average annual growth rate of installed capacity of national electricity generation increased by 7.6% on a consolidated basis during the period of "13th Five-Year Plan", of which the average annual growth rate of coal

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power installed capacity is 3.7%. As one of the largest suppliers of coal-fired power plant technology and integrated system solutions in China, the growth of operating results has slowed down correspondingly. In order to maintain its core competitiveness, the Company has to align its strategy and business direction, explore new development opportunities and long-term growth strategy. Such initiative may cause uncertainty in the financial performance of the Company in the short term, thereby causing losses to the H Shareholders. After the implementation of the Merger, the Company may formulate its long-term strategy more flexibly, thus avoiding the pressure brought about by market expectations and the risk of stock price fluctuations associated with a listed company.

- (3) The delisting of the H Shares offers the H Shareholders an excellent exit opportunity to dispose of the H Shares with relatively low liquidity for a premium. The Cancellation Price represents a premium over the market price of H Shares of the Company as disclosed in paragraph headed “Comparisons of value” in section “4. CANCELLATION PRICE” above. The average daily trading volume of the Shares for the 180 trading days up to and including the Last Trading Date represents only approximately 0.29% of the issued H Shares. China Energy is of the view that the Merger, if implemented, offers all Shareholders (excluding China Energy and Guodian Power) an excellent opportunity to realise their investments in the Company with relatively low liquidity at a cash consideration which represents an attractive premium over the market price of H Shares.

7. FUTURE INTENTION OF THE OFFEROR

After the Merger, the Company will merge into the Offeror, with the Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror for the Group to carry on its current business as stated in the paragraph headed “Information on the Offeror and China Energy” in the section headed “8. INFORMATION OF THE OFFEROR AND THE COMPANY” below).

While the Offeror does not intend to introduce any major changes to the existing business of the Company (including any redeployment of the fixed assets of the Company) after the Merger, the Offeror does not rule out the possibility of any changes in the future if and when it thinks needed in order to benefit the Offeror.

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Company. Following completion of the Merger, the employment contracts of all employees of the Company will continue with the Offeror as the surviving corporation (except for staff movements which are part of the normal conduct of business). The Board is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

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8. INFORMATION OF THE OFFEROR AND THE COMPANY

(1) Information on the Offeror

The Offeror is a company incorporated in the PRC with limited liability on 13 January 2022. The Offeror is newly incorporated by China Energy for the purpose of the Merger and is mainly engaged in atmospheric pollution management, water pollution management, new energy project and equipment technology development, transfer and services, industrial informatisation technology development, transfer and services, economic trading consulting and property management.

The Offeror is wholly owned by China Energy which is in turn controlled by the SASAC.

(2) Information on 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.

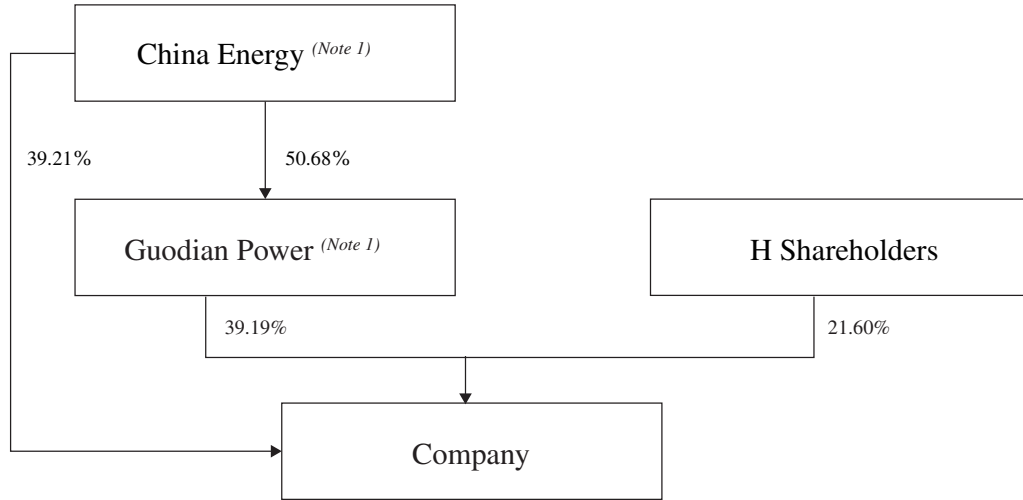
The Company is owned directly and indirectly as to approximately 78.40% by China Energy, among which, approximately 39.21% is held by China Energy directly and approximately 39.19% by Guodian Power. Guodian Power is owned as to approximately 50.68% by China Energy and is a subsidiary of China Energy.

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(3) Shareholding in the Company

As at the Latest Practicable Date, the relevant securities of the Company in issue comprised 6,063,770,000 Shares, of which there were 1,309,770,000 H Shares and 4,754,000,000 Domestic Shares.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:



Notes:

1. The Shares held by China Energy and Guodian Power are Domestic Shares. China Energy and Guodian Power are the only Domestic Shareholders of the Company.
2. The percentages in the diagram above are expressed as percentages of the total issued Shares of the Company.
3. CICC is the financial adviser to the Offeror in respect of the Merger. Accordingly, CICC and members of the CICC group are presumed to be acting in concert with the Offeror in respect of shareholdings of the CICC group in the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code, excluding the Shares held on behalf of non-discretionary investment clients (for the avoidance of doubt, members of the CICC group which are exempt principal trader(s) or exempt fund manager(s), in each case recognised by the Executive as such for the purposes of the Takeovers Code and connected for the sole reason that they are under the same control as CICC, are not considered to be acting in concert with the Offeror). As at the Latest Practicable Date, except for Shares held on behalf of non-discretionary investment clients and Shares held by member(s) of the CICC group acting in the capacity of exempt principal trader(s) and/or exempt fund manager(s), members of the CICC group did not own or control any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, nor were there any Shares (or convertible securities, warrants, options or derivatives in respect thereof) borrowed or lent, or dealt for value in, by any member of the CICC group during the Relevant Period. Notwithstanding the above, Shares held by any such exempt principal traders will not be voted at the EGM or the H Shareholders’ Class Meeting unless the Executive allows such Shares to be so voted.

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The Executive may allow such voting if:

- (i) such member of the CICC group holds the relevant Shares as a simple custodian for and on behalf of non-discretionary clients;
- (ii) there are contractual arrangements in place between such member of the CICC group and such non-discretionary client that strictly prohibit such member of the CICC group from exercising any voting discretion over such Shares;
- (iii) all voting instructions shall originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for such Shares held by such member of the CICC group); and
- (iv) such non-discretionary client is not a concert party of the Offeror.

As at the Latest Practicable Date, the Offeror did not own any Share. China Energy, which directly and beneficially owns the entire equity interest of the Offeror, owns 2,377,500,000 Domestic Shares directly in the Company and 2,376,500,000 Domestic Shares through Guodian Power, representing approximately 39.21% and 39.19% of the voting interests in the Company respectively, and together representing all the Domestic Shares and approximately 78.40% of the voting interests in the Company.

As at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities issued by the Company.

9. ARRANGEMENTS FOR IMPLEMENTATION OF THE MERGER AGREEMENT

On 22 April 2022, the Offeror and the Company jointly announced that the Pre-Conditions had been satisfied. As at the Latest Practicable Date, none of the Conditions to effectiveness and Conditions to implementation has been satisfied or (if applicable) waived. Upon satisfaction of all the Conditions to effectiveness, the Company does not intend to retain its listing on the Stock Exchange and will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in H Shares on the Stock Exchange as well as when the formal delisting of the H Shares will become effective.

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The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason. In such cases, no cancellation of the Shares will take place pursuant to the Merger Agreement and the Company's public float will not be affected as a result of the Merger not being approved or otherwise lapses or does not become unconditional.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee, consisting of all of the independent non-executive Directors, being Mr. SHEN Xiaoliu, Mr. QU Jiuhui, Mr. XIE Qiuye and Mr. YEUNG Chi Tat. Such committee will advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting. As (1) Ms. GE Xiaojing is a non-executive Director nominated by SAIF who has irrevocably undertaken to China Energy and the Offeror to exercise or procure the exercise of all voting rights (whether on a show of hands or a poll and whether in person or by proxy) attaching to the H Shares held by it in favour of the Merger, (2) Mr. SONG Chang, Mr. JIANG Jianwu and Mr. ZHANG Wenjian are each a non-executive Director nominated by China Energy, and (3) Mr. GU Yuchun is a non-executive Director nominated by Guodian Power, each of Ms. GE Xiaojing, Mr. SONG Chang, Mr. JIANG Jianwu, Mr. ZHANG Wenjian and Mr. GU Yuchun is excluded from the Independent Board Committee. For the opinions and advice of the Independent Board Committee, please refer to section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this document.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Merger. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code. For the opinions and advice of the Independent Financial Adviser, please refer to section headed "Letter from Gram Capital" in this document.

11. EGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the EGM and the H Shareholders' Class Meeting for the Shareholders to consider and, if thought fit, approve matters including the Merger.

In compliance with Rule 2.10 of the Takeovers Code, which is applicable to the Merger, the Merger Agreement and the Merger are conditional on (1) the approval by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Shareholders' Class Meeting; and (2) the number of votes cast against the resolution at the H Shareholders' Class Meeting is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders.

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The H Shareholders who have been registered as holders of H Shares on the register of members of the Company kept by the registrar of H Shares, Computershare Hong Kong Investor Services Limited, on Friday, 20 May 2022 and who have completed all necessary registration procedures will be entitled to attend the EGM and the H Shareholders' Class Meeting.

(1) Suspension of registration of Share transfers

The register of members of the Company will be closed from Wednesday, 18 May 2022 to Friday, 20 May 2022, during which no registration of transfers of Shares will be processed. If applicable, the Shareholders and the H Shareholders intending to attend the EGM and the H Shareholders' Class Meeting respectively must lodge their respective transfer documents and relevant share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for H Shareholders) or the head office of the Company in the PRC at Suite 1225, Building 1, Yard 16, W.4th Ring Middle Road, Haidian District, Beijing, PRC (for Domestic Shareholders) no later than 4:30 p.m. on Tuesday, 17 May 2022.

(2) Proxy forms and reply slips

Whether or not you intend to attend the EGM or the H Shareholders' Class Meeting, you are strongly urged to indicate your voting instructions and complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting or any adjournment thereof). After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish.

If you are eligible and intend to attend the relevant meetings, please complete and return the relevant reply slips in accordance with the instructions printed thereon. Reply slips should be returned as soon as possible (but in any event not later than eight (8) days before the scheduled date for holding the relevant meetings or any adjournment thereof).

LETTER FROM THE BOARD

(3) Voting at the EGM and the H Shareholders' Class Meeting

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions will be passed by way of poll at the EGM and the H Shareholders' Class Meeting.

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

- (1) Check the health code
- (2) Compulsory temperature screening/checks
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks
- (5) No entry will be allowed to any person who is subject to mandatory quarantine order imposed by the PRC government.

Attendees who do not comply with the precautionary measures referred to in (1) to (5) above may be denied entry to the meeting venue, at the absolute discretion of the Company as permitted by law. Those being refused entry at the meeting venue would still be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM and/or the H Shareholders' Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the relevant meetings as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM and/or the H Shareholders' Class Meeting in person.

Shareholders and their proxies, if attending the EGM and H Shareholders' Class Meeting in person, must pay attention to and strictly comply with the applicable regulations and requirements in Beijing, the PRC regarding the declaration of health status, quarantine and observation.

Subject to the development of COVID-19 pandemic, the Company may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

LETTER FROM THE BOARD

12. TAXATION

(1) Non-tax advice

You should consult with your professional adviser to understand the possible tax implications of the cancellation of the H Shares, the cancellation of the Domestic Shares and the subsequent absorption of the Company by the Offeror or the exercise of the Dissenting Shareholders' rights. None of the Company, the Offeror, CICC or Gram Capital, nor their respective directors or any person participating in the proposed transaction, assume any liability in respect of any tax incurred or other implication of any exercise of the Dissenting Shareholders' rights.

(2) Hong Kong stamp duty

When the Cancellation Price is paid, the corresponding H Shares will be cancelled. Therefore, the implementation of the Merger does not involve the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong.

For the Dissenting Shareholders who exercise their right to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.13% of the consideration by each of the seller and the buyer. The stamp duty payable will be deducted from the cash received by the relevant Dissenting Shareholders who exercise such right.

13. RECOMMENDATION OF THE BOARD

The Board (other than members of the Independent Board Committee, whose views are given in the section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this document) is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered the terms of the Merger Agreement and taken into account the advice from Gram Capital, the Independent Board Committee is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Therefore, the Board recommends that the Shareholders vote in favour of the resolutions in relation to the Merger at the EGM and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

14. OTHER INFORMATION

In considering what action to take in connection with the Merger, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisors.

You are urged to read carefully the letter from the Independent Board Committee on pages 25 to 26 of this document, the letter from the Independent Financial Adviser on pages 27 to 50 of this document and all the appendices to this document.

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

* *For identification purposes only*



國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

29 April 2022

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED PRIVATISATION OF GUODIAN TECHNOLOGY BY
CHUNHUI ENVIRONMENTAL BY WAY OF MERGER BY ABSORPTION OF
GUODIAN TECHNOLOGY**

(2) PROPOSED WITHDRAWAL OF LISTING

**(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING
AND**

(4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

INTRODUCTION

We refer to the composite document dated 29 April 2022 jointly issued by the Company and the Offeror (the “**Composite Document**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meaning when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent H Shareholders as to whether the terms of the Merger are, or are not, fair and reasonable as to voting.

Gram Capital has been appointed as the Independent Financial Adviser to advise us as to whether or not the terms of the Merger are fair and reasonable so far as the Shareholders are concerned and as to voting. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from Gram Capital on pages 27 to 50 of the Composite Document. We also wish to draw your attention to, and advise you to read, the letter from the Board on pages 1 to 24 of the Composite Document, the letter from Gram Capital on pages 27 to 50 of the Composite Document and the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, as disclosed in Appendix II to the Composite Document, we are independent and do not have any conflict of interest in respect of the Merger and are therefore able to consider the terms of the Merger and to make recommendations to the Independent H Shareholders.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of Gram Capital as set out in its letter, we concur with the view of Gram Capital and consider the terms of Merger to be fair and reasonable so far as the Independent H Shareholders are concerned.

Accordingly, we concur with the recommendation of Gram Capital, and would recommend the Independent H Shareholders to vote in favour of the Merger.

Notwithstanding our views and recommendation in respect of the terms of the Merger, the Shareholders are strongly advised that their decision to realise or to hold their investment in the Company depends on their own individual circumstances and investment objectives. If in doubt, the Shareholders should consult their own professional advisers for professional advice.

Yours faithfully

For and on behalf of

THE INDEPENDENT BOARD COMMITTEE

Mr. SHEN Xiaoliu

Independent Non-Executive Director

Mr. QU Jiuhui

Independent Non-Executive Director

Mr. XIE Qiuye

Independent Non-Executive Director

Mr. YEUNG Chi Tat

Independent Non-Executive Director

* *For identification purposes only*

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 in respect of the Merger for the purpose of inclusion in this Composite Document.



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

29 April 2022

*To: The independent board committee of
Guodian Technology & Environmental Group Corporation Limited**

Dear Sirs,

**(1) PROPOSED PRIVATISATION
OF GUODIAN TECHNOLOGY BY CHUNHUI ENVIRONMENTAL
BY WAY OF MERGER BY ABSORPTION OF GUODIAN TECHNOLOGY;
AND
(2) PROPOSED WITHDRAWAL OF LISTING**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Merger, details of which are set out in the Composite Document dated 29 April 2022 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

LETTER FROM GRAM CAPITAL

On 24 January 2022, the Offeror and the Company entered into the Merger Agreement pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Conditions and the Conditions. After the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions, the Offeror will pay the Cancellation Price in the amount of HK\$1.08 per H Share to the H Shareholders for the cancellation of the H Shares (the payment by the Offeror to China Energy and Guodian Power for the cancellation of the Domestic Shares held by them is set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the letter from the Board (the “**Board Letter**”) contained in the Composite Document). As jointly announced by the Offeror and the Company on 22 April 2022, the Pre-Conditions have been fulfilled.

After the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered.

Upon satisfaction of all the Conditions to effectiveness, the Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors, namely, Mr. SHEN Xiaoliu, Mr. QU Jiuhui, Mr. XIE Qiuye and Mr. YEUNG Chi Tat, has been formed to advise the Independent H Shareholders as to (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of the Merger at the EGM and the H Shareholders’ Class Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Merger pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), 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, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document 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 Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Merger. 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 and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENTS" of Appendix II to the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, 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, the Offeror or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the cancellation of the H Shares, the cancellation of the Domestic Shares and the subsequent absorption of the Company by the Offeror or the exercise of the Dissenting Shareholders' rights.

LETTER FROM GRAM CAPITAL

We have assumed that the Merger will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Merger, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Merger. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

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 and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Background of the Merger

With reference to the Board Letter, on 24 January 2022, the Offeror and the Company entered into the Merger Agreement pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Conditions and the Conditions. After the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions, the Offeror will pay the Cancellation Price in the amount of HK\$1.08 per H Share to the H Shareholders for the cancellation of the H Shares (the payment by the Offeror to China Energy and Guodian Power for the cancellation of the Domestic Shares held by them is set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” in the Board Letter). As jointly announced by the Offeror and the Company on 22 April 2022, the Pre-Conditions have been fulfilled.

After the completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered.

Upon satisfaction of all the Conditions to effectiveness, the Company will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15 of the Listing Rules.

LETTER FROM GRAM CAPITAL

(2) Information on the Group

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

In September 2021, the equity transfer and capital injection in respect of Guodian United Power Technology Co., Ltd.* (國電聯合動力技術有限公司) (“**United Power**”) as set out under the Company’s circular dated 30 June 2021 (“**United Power Transactions**”) were completed. Prior to completion of the aforesaid equity transfer and capital injection, United Power was a non-wholly owned subsidiary of the Company and principally engaged in research and development, production and sale of wind turbines. After completion of the United Power Transactions, the Company’s equity interest in United Power became 30%, United Power ceased to be a subsidiary of the Company and its financial results would no longer be consolidated into the financial statements of the Group.

Set out below is a summary of the audited consolidated financial information on the Group for the three years ended 31 December 2021 as extracted from the Company’s annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”) and the Company’s annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”):

| | For the year ended 31 December 2021 (“FY2021”) <i>RMB’000</i> | Change from FY2020 to FY2021 % | For the year ended 31 December 2020 (“FY2020”) <i>RMB’000</i> | Change from FY2019 to FY2020 % | For the year ended 31 December 2019 (“FY2019”) <i>RMB’000</i> |
|---------------------------------------|--|---|--|---|--|
| Revenue | 12,073,257 | (22.73) | 15,624,478 | 33.64 | 11,691,038 |
| – Environmental protection | 4,245,879 | (11.17) | 4,779,879 | 6.08 | 4,505,771 |
| – Energy conservation solutions | 4,004,861 | (12.29) | 4,565,873 | 141.22 | 1,892,838 |
| – Wind power products and services | 3,257,711 | (43.73) | 5,789,547 | 20.05 | 4,822,702 |
| – All others | 564,806 | 15.46 | 489,179 | 4.14 | 469,727 |
| Gross profit | 720,530 | (75.62) | 2,954,867 | 14.17 | 2,588,198 |
| Loss for the year | (1,209,656) | 2,622.43 | (44,433) | (90.06) | (447,052) |

LETTER FROM GRAM CAPITAL

Revenue and gross profit

As depicted from the above table, the Group's revenue and gross profit for FY2020 increased by approximately 33.64% and 14.17% respectively as compared to those for FY2019. With reference to the 2020 Annual Report and as confirmed by the Directors, such increases were mainly attributable to (i) increase in sales volume and unit price of wind turbines; and (ii) increase of revenue from corresponding general contracting business line of wind power plant construction, both due to the "rush of installation tide" in wind power industry caused by wind power subsidy policy.

As depicted from the above table, the Group's revenue and gross profit for FY2021 decreased by approximately 22.73% and 75.62% respectively as compared to those for FY2020. The Group's revenue generated from the segments of "environmental protection", "energy conservation solutions" and "wind power products and services" for FY2021 also decreased as compared to that for FY2020.

As advised by the Directors:

- (i) Decrease in the Group's revenue generated from the segment of "environmental protection" from FY2020 to FY2021 was mainly due to slow-down in growth of installed capacity of coal-fired electricity in the PRC which led to decrease in demand for the Group's thermal power environmental services.
- (ii) Decrease in the Group's revenue generated from the segment of "energy conservation solutions" from FY2020 to FY2021 was mainly due to decrease in demand in the Group's energy conservation solutions (in particular, general contracting project of power plants) as the "rush of installation tide" in wind power industry subsided.
- (iii) Decrease in the Group's revenue generated from the segment of "wind power products and services" from FY2020 to FY2021 was mainly due to that (a) the "rush of installation tide" in wind power industry subsided; and (b) United Power ceased to be a subsidiary of the Company and its financial results was no longer consolidated into the financial statements of the Group after completion of the United Power Transactions.
- (iv) Under the above circumstances, the Group attempted to strive for its market share and to develop new markets, products and businesses (including those relating to wind/photovoltaic power plants, new energy industrial control system, intelligent safety management, solid waste treatment and sludge disposal). Under such attempts and use of inventory purchased at higher cost during the "rush of installation tide" in wind power industry, the Groups' cost of sales as a percentage of revenue was increased, hence, the Group's gross profit margin decreased substantially from approximately 18.91% for FY2020 to approximately 5.97% for FY2021.

LETTER FROM GRAM CAPITAL

Loss for the year

Despite the Group's gross profit for FY2019, FY2020 and FY2021, the Group made loss for FY2019, FY2020 and FY2021 due to substantial selling and distribution expenses, administrative expenses, finance cost and income tax.

The Group's loss for FY2020 decreased by approximately 90.06% as compared to that for FY2019. With reference to the 2020 Annual Report and as confirmed by the Directors, such decrease was mainly attributable to increase in the Group's revenue and gross profit for FY2020.

The Group's loss for FY2021 increased by approximately 2,622.43% as compared to that for FY2020. With reference to the 2021 Annual Report and as confirmed by the Directors, such increase was mainly attributable to decrease in the Group's revenue and gross profit, increase in administrative expense, as partially off-set by increase in other income (mainly attributable to the gain arising from the United Power Transactions), decrease in selling and distribution expenses, finance cost and income tax.

Future development

With reference to the 2021 Annual Report and as advised by the Directors, the Group intends to (i) strengthen its foundation by continuous improvement in overall budget management and cost control, level of safety and environmental protection and risk management; (ii) strengthen its marketing effort; and (iii) further develop its business through promotion of scientific and technological innovation, increase in research and development ("R&D") investment, cultivation and continuous improvement on core technologies in pollution abatement for atmosphere, water and solid wastes.

(3) Information on and intention of the Offeror

Set out below are information on the Offeror as extracted from the Board Letter:

The Offeror is a company incorporated in the PRC with limited liability on 13 January 2022. The Offeror is newly incorporated by China Energy for the purpose of the Merger and is mainly engaged in atmospheric pollution management, water pollution management, new energy project and equipment technology development, transfer and services, industrial informatisation technology development, transfer and services, economic trading consulting and property management.

The Offeror is wholly owned by China Energy which is in turn controlled by the SASAC.

LETTER FROM GRAM CAPITAL

Set out below are intention of the Offeror with regard to the Company according to the Board Letter:

After the Merger, the Company will merge into the Offeror, with the Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror for the Group to carry on its current business as stated above.

While the Offeror does not intend to introduce any major changes to the existing business of the Company (including any redeployment of the fixed assets of the Company) after the Merger, the Offeror does not rule out the possibility of any changes in the future if and when it thinks needed in order to benefit the Offeror.

The Offeror does not intend to make any significant changes to the continued employment of the employees of the Company. Following completion of the Merger, the employment contracts of all employees of the Company will continue with the Offeror as the surviving corporation (except for staff movements which are part of the normal conduct of business). The Board is willing to cooperate with the Offeror and act in the best interests of the Company and the Shareholders as a whole.

(4) Reasons for and benefits of the Merger

With reference to the Board Letter, the reasons and benefits of the Merger include:

- (a) The Company has lost the advantage as a listing platform with limited equity fund-raising ability. Since the listing of the H Shares on the Stock Exchange, the Company has not raised any funds through equity issuance. As the Company's H Shares have been trading at a relatively low price range with sluggish trading volume for most of the time, its ability to raise funds from the equity market is significantly limited. After the implementation of the Merger, the H Shares will be delisted from the Stock Exchange, which may benefit the Company from saving in costs related to compliance and maintenance of the listing status of the Company.

LETTER FROM GRAM CAPITAL

- (b) The growth rate of the Company's performance has lowered due to the slowdown in the growth of coal-fired electricity generation of downstream customers. Impacted by the goals of peak carbon dioxide emissions and carbon neutrality (the "**CO₂ Emissions & Neutrality Goal**") as well as development strategy in the PRC, the growth of installed capacity of coal-fired electricity has slowed down significantly. According to the data of China Electricity Council, the average annual growth rate of installed capacity of national electricity generation increased by 7.6% on a consolidated basis during the period of "13th Five-Year Plan" (for year 2016 to year 2020), of which the average annual growth rate of coal power installed capacity is 3.7%. As one of the largest suppliers of coal-fired power plant technology and integrated system solutions in China, the growth of operating results has slowed down correspondingly. In order to maintain its core competitiveness, the Company has to align its strategy and business direction, explore new development opportunities and long-term growth strategy. Such initiative may cause uncertainty in the financial performance of the Company in the short term, thereby causing losses to our H Shareholders. After the implementation of the Merger, the Company may formulate its long-term strategy more flexibly, thus avoiding the pressure brought about by market expectations and the risk of stock price fluctuations associated with a listed company.

With reference to the 2021 Annual Report and as advised by the Directors, the following are the main regulations, policies and measures promulgated by the PRC government and other relevant regulatory authorities, which are expected to have impact on the business, operation and financial situation of the Group:

- (i) The Guiding Opinions on Promoting the Utilization of Sewage Resources jointly issued by the National Development and Reform Commission, Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and 10 other departments on 4 January 2021.

The aforesaid guiding opinions (a) set out the overall targets of wastewater treatment, reclaimed water utilization rate, industrial water reuse, livestock and poultry manure and fishery wastewater utilization level over time; (b) directed certain key project areas in wastewater treatment; and (c) directed the enhancement of certain policies relating to wastewater treatment.

LETTER FROM GRAM CAPITAL

- (ii) The Guiding Opinions on Accelerating the Establishment and Perfection of a Green and Low-carbon Circular Development Economic System issued by the State Council of the PRC on 22 February 2021.

The aforesaid guiding opinions set out certain main targets over time, including optimising industrial, energy and logistic structure, increasing the proportion of green industry, infrastructure greenery, increasing level of clean production, reasonable allocation of energy resources and increasing its utilisation rate, continuous reduction of major pollutants emission and lowering peak carbon dioxide emission.

- (iii) The Notice on Matters Related to the Development and Construction of Wind and Photovoltaic Power Generation in 2021 issued by the National Energy Administration of the PRC on 11 May 2021.

The aforesaid notice (a) set out certain main targets, including proportion of non-fossil energy in primary energy consumption reaching approximately 20% by 2025 and approximately 25% by 2030 and total installed capacity of wind power and photovoltaic power exceeding 1.2 billion kilowatts by 2030; and (b) directed acceleration on wind and photovoltaic power pipeline projects construction and application and approval of additional wind and photovoltaic power projects.

- (iv) The Guiding Opinions on Enhanced Control of Ecological and Environmental Pollution Sources for Energy- and Emission-intensive Construction Projects issued by the Ministry of Ecology and Environment of the PRC on 30 May 2021.

The aforesaid guiding opinions directed ecological environment departments at all levels to strengthen prevention and control of high pollution and high energy-consuming projects from original source, strengthen zoning management, control and planning constraints for ecological environment, strictly implement review and approval of environmental impact assessment of high pollution and high energy-consuming projects and promote coordinated control of pollution and carbon reduction in high pollution and high energy-consuming industries, including coal-fired power, petrochemical, chemical, iron & steel, nonferrous metal smelting, and building materials industries.

LETTER FROM GRAM CAPITAL

- (v) The State Council issued the Opinions on the Further Pollution Prevention and Control issued by the State Council of the PRC on 7 November 2021.

The aforesaid opinions (a) set out main targets for continuous improvement in ecological environment by 2025 (including elimination of heavy polluted weather and serious urban sewage and controlling soil pollution risk). The opinions also highlighted key industries and fields with obvious synergy effect of reducing pollution and carbon, and emphasizes key tasks to promote green and low-carbon development, in particular, promotion of clean and low-carbon transformation of energy, and restraint on reckless development of high pollution and high energy-consuming projects; and (b) directed efforts in air pollution prevention and control, urban water treatment and soil pollution prevention.

- (vi) The State Council issued the Comprehensive Work Plan for Energy Conservation and Emission Reduction in the 14th Five-Year Plan Period issued by the State Council of the PRC on 24 January 2022.

The aforesaid plan (a) set out targets of reducing PRC energy consumption per unit of gross domestic product by 13.5% (as compared to 2020) by 2025, reasonable control on total energy consumption, reducing chemical oxygen demand, ammonia nitrogen emission, nitrogen oxide emission, and volatile organic compounds emission by 8%, 8%, over 10%, and over 10% respectively (as compared to 2020) by 2025; and (b) specified key projects, their objectives and tasks such as greenery upgrading projects in key industries, energy-saving and environmental protection projects in parks, pollutant reduction projects in key regions, coal clean and efficient utilization project, and comprehensive remediation projects for volatile organic compounds.

We noted that policies (ii), (iv), (v) & (vi) are in-line with the CO₂ Emissions & Neutrality Goal which may affect the growth of installed capacity of coal-fired electricity and the Group (as a supplier of coal-fired power plant technology and integrated system solutions in the PRC). Under the influence of such policies, coal-fired electricity may be discouraged. As aforementioned, decrease in the Group's revenue generated from the segment of "environmental protection" from FY2020 to FY2021 was mainly due to slow-down in growth of installed capacity of coal-fired electricity in the PRC which led to decrease in demand for the Group's thermal power environmental services.

LETTER FROM GRAM CAPITAL

Nevertheless, (a) policies (ii), (iv), (v) & (vi) also implied more stringent requirements for pollutants emission of certain industries such as coal-fired electricity, petrochemical, chemical, steel, non-ferrous metal refinery and construction material; and (b) all of the above policies may stimulate demand for and bring opportunities and benefit the Group's environmental protection, energy conservation solutions and wind power products and services businesses (including those relating to water treatment and wind/photovoltaic power plants).

As advised by the Directors, it is necessary for the Company to formulate long-term growth strategy (including development of new market/products and strengthening its R&D investment, cultivation and continuous improvement on core technologies in pollution abatement for atmosphere, water and solid wastes) to cope with the aforementioned policies, measures and industrial trend (emphasizing on pollutants emission reduction and shifting from fossil-energy to non-fossil clean energy) and seize the opportunities brought by them. Long-term growth strategies to be implemented by the Group may affect the Group's short-term growth profile and result in the divergence between the Company's view on its long-term value on one hand, and investors' views on the Company's share price on the other hand.

- (c) The delisting of the H Shares offers the H Shareholders an excellent exit opportunity to dispose of the H Shares with relatively low liquidity for a premium. The Cancellation Price represents a premium over the market price of H Shares of the Company as disclosed in paragraph headed "Comparison of value" in section "4. CANCELLATION PRICE" of the Board Letter. The average daily trading volume of the H Shares for the 180 trading days up to and including the Last Trading Date represents only approximately 0.29% of the issued H Shares. China Energy is of the view that the Merger, if implemented, offers all Shareholders (excluding China Energy and Guodian Power) an excellent opportunity to realise their investments in the Company with relatively low liquidity at a cash consideration which represents an attractive premium over the market price of H Shares.

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We performed a trading liquidity analysis of the H Shares for the period from 4 January 2021 (being approximately one year prior to the Last Trading Date) up to and including the Latest Practicable Date (the “**Review Period**”). The number of trading days per month, the average daily number of the H Shares traded per month, and the respective percentages of the H Shares’ average daily trading volume as compared to the total number of issued H Shares in issue as at the Latest Practicable Date, during the Review Period are tabulated below:

| Month | Number of trading days | Average daily trading volume (the “Average Volume”) Number of H Shares | % of the Average Volume to total number of H Shares in issue as at the Latest Practicable Date (Note 1) Approximate % |
|---|-------------------------------|---|--|
| 2021 | | | |
| January | 20 | 6,175,373 | 0.47 |
| February | 18 | 10,495,154 | 0.80 |
| March | 23 | 1,916,870 | 0.15 |
| April | 19 | 374,158 | 0.03 |
| May | 20 | 683,750 | 0.05 |
| June | 21 | 444,857 | 0.03 |
| July | 21 | 1,362,857 | 0.10 |
| August | 22 | 8,262,909 | 0.63 |
| September | 21 | 12,797,636 | 0.98 |
| October | 18 | 3,500,444 | 0.27 |
| November | 22 | 741,112 | 0.06 |
| December | 22 | 1,092,818 | 0.08 |
| 2022 | | | |
| January (Note 2) | 18 | 27,330,722 | 2.09 |
| February | 17 | 9,000,263 | 0.69 |
| March | 23 | 6,361,304 | 0.49 |
| April (up to and including the Latest Practicable Date) | 15 | 3,017,467 | 0.23 |

Source: the Stock Exchange’s website

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Notes:

1. *Based on 1,309,770,000 H Shares in issue as at the Latest Practicable Date.*
2. *Trading in H Shares was halted with effect from 1:06 p.m. on 19 January 2022 to 24 January 2022.*

As illustrated from the table above, the Average Volume was thin during the Review Period. Except for January 2022, the Average Volume in each month during the Review Period was below 1% of the total number of H Shares in issue as at the Latest Practicable Date.

In light of the above, we consider that the trading liquidity of the H Shares is low and disposal of a large number of H Shares by Shareholders in the open market may have adverse impact on the price of H Shares.

Having also considered our analysis on the Cancellation Price as set out below, we are also of the view that the Merger provides the H Shareholders with an opportunity to realise their investment in the Company for cash at premium over recent market prices without having to suffer any illiquidity discount.

(5) **The Cancellation Price**

Cancellation Price comparison

The Cancellation Price of HK\$1.08 per H Share represents:

- (i) a premium of approximately 1.89% over the closing price of HK\$1.06 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 47.95% (the “**LTD Premium**”) over the closing price per H Share of HK\$0.73 on the Stock Exchange on the Last Trading Date;
- (iii) a premium of approximately 107.69% (the “**LFTD Premium**”) over the closing price per H Share of HK\$0.52 on the Stock Exchange on 18 January 2022, being the last full trading day prior to the suspension of trading in the H Shares on the Stock Exchange (with effect from 1:06 p.m. on 19 January 2022) pending the issue of the Joint Announcement;
- (iv) a premium of approximately 89.47% over the average closing price of HK\$0.57 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Date;

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- (v) a premium of approximately 92.86% (the “**30-days Premium**”) over the average closing price of HK\$0.56 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Date;
- (vi) a premium of approximately 107.69% over the average closing price of HK\$0.52 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;
- (vii) a premium of approximately 120.41% (the “**180-days Premium**”) over the average closing price of HK\$0.49 per H Share based on the daily closing prices of H Shares as quoted on the Stock Exchange for the 180 trading days immediately prior to and including the Last Trading Date; and
- (viii) a discount of approximately 13.60% (the “**NAV Discount**”) to the audited equity attributable to owners of the Company per Share of approximately RMB1.02 (equivalent to approximately HK\$1.25 based on the exchange rate of HK\$1:RMB0.81422) as at 31 December 2021, based on the 6,063,770,000 Shares in issue as at the Latest Practicable Date.

Historical price performance of the H Shares

Set out below is a chart showing the movement of the closing price of the H Shares during the Review Period to illustrate the general trend and movement of the closing price of the H Shares.



Source: the Stock Exchange’s website

Note: Trading in H Shares was halted with effect from 1:06 p.m. on 19 January 2022 to 24 January 2022.

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During the Review Period, the highest and lowest closing prices of the H Shares as quoted on the Stock Exchange were HK\$1.060 per H Share recorded on 31 March 2022, 1 April 2022, 6 April 2022, 25 April 2022 and 26 April 2022 and HK\$0.194 per H Share recorded on 14 January 2021. The Cancellation Price of HK\$1.08 is above the range of the closing prices of the H Shares during the entire Review Period.

The closing prices of the H Shares followed a general increasing trend since the start of the Review Period until reaching HK\$0.760 on 28 September 2021. Subsequently, the closing price of the H Shares fluctuated and decreased to HK\$0.520 per H Share recorded on 18 January 2022 before it rebounded to HK\$0.730 per H Share recorded on 19 January 2022 (i.e. the Last Trading Date).

From 25 January 2022 (being the date following the publication of the Joint Announcement regarding the Merger) to the Latest Practicable Date, the closing price of the H Shares fluctuated between HK\$0.980 and HK\$1.060.

Save as and except for the possible market reaction on the Joint Announcement, we did not identify any specific reason which caused the aforesaid fluctuation of the closing prices of the H Shares.

Comparison with other comparable companies

To further assess the fairness and reasonableness of the Cancellation Price, we performed the trading multiple analysis which includes the price to book ratio ((i) as advised by the Directors, the Group's principal businesses are capital intensive and rely on the Group's plant and machinery for production; and (ii) price to earnings ratio, being another commonly adopted trading multiple analysis, is impracticable as the Group recorded loss attributable to the Shareholders for FY2021) as below.

As abovementioned, 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. Accordingly, we searched for listed companies in Hong Kong which are engaged in similar line of businesses of the Group and derived more than 50% of their turnover from such businesses in aggregate, based on their respective latest published financial information, for comparison. We found 4 companies listed below which met the aforesaid criteria and they are exhaustive (the "**Comparable Company/(ies)**").

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Set out below are the price-to-book ratios (“**PBR(s)**”) of the Comparable Companies based on their closing prices as at the Last Trading Date, and their latest published financial information:

| Company name (stock code) | Principal business | Year-end date | Market capitalisation <i>Approximate HK\$ million</i> | PBR <i>(Note 1)</i> |
|---|---|----------------------|--|---------------------------------|
| Datang Environment Industry Group Co., Ltd.* (1272) | Environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy engineering business | 31 December 2021 | 2,997 | 0.35 |
| Denox Environmental & Technology Holdings Limited (1452) | Design, development, manufacture and sales of DeNOx catalysts | 31 December 2021 | 70 | 0.28 |
| Zhejiang Tengy Environmental Technology Co., Ltd. (1527) | Provision of integrated atmospheric pollution control solution | 31 December 2021 | 112 | 0.12 |
| China Boqi Environmental (Holdings) Co., Ltd. (2377) | Flue gas treatment, water treatment, hazardous and solid waste treatment/ disposal and energy saving and environmental protection | 31 December 2021 | 1,388 | 0.41 |
| The Company (the Merger) | | | 4,427 | 0.86 <i>(Note 2)</i> |

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Notes:

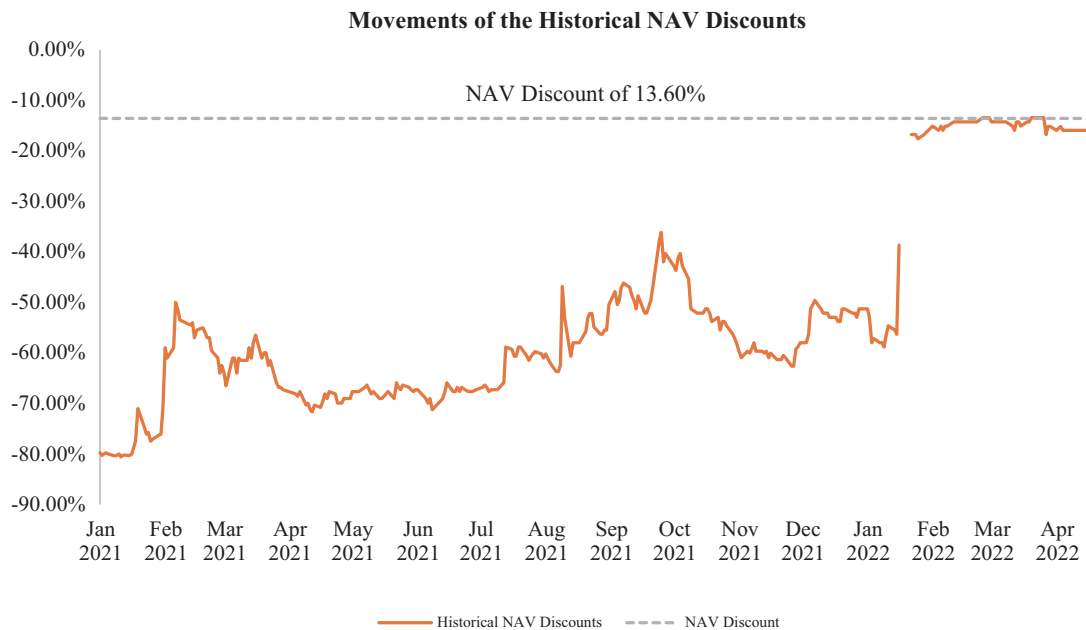
1. *The PBRs of the Comparable Companies were calculated based on their respective net assets attributable to the owners of the company according to their latest published annual results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Last Trading Date.*
2. *The implied PBR of the Merger was calculated based on the Cancellation Price and the equity attributable to the Shareholders as at 31 December 2021 and the total issued Shares as at the Last Trading Date.*

We noted that the implied PBR of the Merger is higher than those of the Comparable Companies.

Despite that (i) the businesses, operations and market capitalisation of the Comparable Companies are not the same as the Group; and (ii) only 4 Comparable Companies were identified, the above analysis could provide additional reference in assessing the fairness and reasonableness of the Cancellation Price.

The implied PBR of the Merger indicated the NAV Discount of approximately 13.60%.

In light of the NAV Discount, we reviewed discounts of H Share closing price to historical equity attributable to owners of the Company per Share during the Review Period (the “**Historical NAV Discount(s)**”) as set out in the chart below:



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Notes:

As the Company's interim results announcement for the six months ended 30 June 2020 was published after trading hours on 28 August 2020, the Company's annual results announcement for FY2020 was published after trading hours on 28 March 2021, the Company's interim results announcement for the six months ended 30 June 2021 was published after trading hours on 27 August 2021 and the Company's annual results announcement for FY 2021 was published after trading hours on 29 March 2022:

- 1. The Historical NAV Discounts from 4 January 2021 to 28 March 2021 were calculated based on the daily H Share closing prices and the equity attributable to the Shareholders as at 30 June 2020.*
- 2. The Historical NAV Discounts from 29 March 2021 to 27 August 2021 were calculated based on the daily H Share closing prices and the equity attributable to the Shareholders as at 31 December 2020.*
- 3. The Historical NAV Discounts from 28 August 2021 to 29 March 2022 were calculated based on the daily H Share closing prices and the equity attributable to the Shareholders as at 30 June 2021.*
- 4. The Historical NAV Discounts from 30 March 2022 to the Latest Practicable Date were calculated based on the daily H Share closing prices and the equity attributable to the Shareholders as at 31 December 2021.*

As illustrated by the above chart, the Historical NAV Discounts (i) ranged from approximately 36.13% to 80.60% during the period from 4 January 2021 to 19 January 2022 (the “**Pre-announcement NAV Discount Range**”); and (ii) ranged from approximately 13.45% to 17.65% during the period from 25 January 2022 to the Latest Practicable Date (the “**Post-announcement NAV Discount Range**”).

The NAV Discount is (i) less than the Pre-announcement NAV Discount Range; and (ii) within the Post-announcement NAV Discount Range.

Comparison with other privatisation transactions

To further assess the fairness and reasonableness of the Cancellation Price, we searched for approved privatisation transactions announced by listed companies in Hong Kong during the Review Period, excluding transactions involving share consideration (Note: The consideration shares have different investment values which were based on factors such as background and industry of the subject company, the share price performance and liquidity. We consider that share consideration and cash consideration are different in nature, and privatisation transactions with share consideration is not directly comparable with those with cash consideration.) or share buy-back (Note: The subject company buy back its shares under share buy-back whereas the offeror is usually the subject company's substantial/controlling shareholder or his/her/its concert party under other privatisation cases. This may affect their comparability.) and transactions which required acceptance level not being or yet to be achieved (the “**Privatisation Cases**”). To the best of our knowledge and as far as we are aware of, we found 19 Privatisation Cases which meet the aforesaid criteria for comparison and they are exhaustive.

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| Company name (stock code) | Initial announcement date of the privatisation proposal (Note 1) | Premium of the offer cancellation price over closing price per share on last full trading day prior to the publication of initial announcement in relation to the respective proposal (Note 2) | Premium of the offer/ cancellation price over average closing price per share for the 30 full trading days prior to the publication of initial announcement in relation to the respective proposal (Note 3) | Premium of the offer/ cancellation price over average closing price per share for the 180 full trading days prior to the publication of initial announcement in relation to the respective proposal (Note 4) |
|--|---|---|--|---|
| | | <i>Approximate %</i> | <i>Approximate %</i> | <i>Approximate %</i> |
| China Machinery Engineering Corporation* (1829) | 13 January 2021 | 45.10 | 118.93 | 105.56 |
| HKC (Holdings) Limited (190) | 17 January 2021 | 128.57 | 127.92 | 84.33 |
| Zhejiang New Century Hotel Management Co., Ltd. (1158) | 20 January 2021 | 24.66 | 20.76 | 27.73 |
| Polytec Asset Holdings Limited (208) | 21 January 2021 | 61.29 | 72.55 | 99.12 |
| Zhuhai Holdings Investment Group Limited (908) | 22 January 2021 | 37.84 | 52.39 | 82.14 |
| Sichuan Languang Justbon Services Group Co., Ltd. (2606) | 25 February 2021 | 39.41 | 46.76 | 26.46 |
| Xiezhong International Holdings Limited (3663) | 28 February 2021 | 17.65 | 25.00 | 15.94 |
| Chong Hing Bank Limited (1111) | 18 May 2021 | 96.97 | 107.38 | 119.41 |
| Bestway Global Holding Inc. (3358) | 25 June 2021 | 26.96 | 46.98 | 101.84 |
| Beijing Capital Land Ltd. (2868) | 9 July 2021 | 62.79 | 127.64 | 122.22 |

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| Company name (stock code) | Initial announcement date of the privatisation proposal <i>(Note 1)</i> | Premium of the offer/ cancellation price over closing price per share on last full trading day prior to the publication of initial announcement in relation to the respective proposal <i>(Note 2)</i> | Premium of the offer/ cancellation price over average closing price per share for the 30 full trading days prior to the publication of initial announcement in relation to the respective proposal <i>(Note 3)</i> | Premium of the offer/ cancellation price over average closing price per share for the 180 full trading days prior to the publication of initial announcement in relation to the respective proposal <i>(Note 4)</i> |
|--|--|--|---|--|
| | | <i>Approximate %</i> | <i>Approximate %</i> | <i>Approximate %</i> |
| Nature Home Holding Company Limited (2083) | 27 July 2021 | 39.34 | 31.78 | 53.15 |
| Good Friend International Holdings Inc. (2398) | 12 August 2021 | 50.00 | 61.29 | 28.21 |
| Hop Hing Group Holdings Limited (47) | 6 September 2021 | 73.91 | 70.94 | 66.67 |
| C.P. POKPHAND CO. LTD. (43) | 30 September 2021 | 19.79 | 27.78 | 27.78 |
| Dragon Crown Group Holdings Limited (935) | 8 October 2021 | 8.47 | 9.40 | 44.96 |
| Yorkey Optical International (Cayman) Ltd. (2788) | 15 October 2021 | 76.00 | 79.34 | 70.97 |
| Razer Inc. (1337) | 29 October 2021 | 43.88 | 67.26 | 26.29 |
| PFC Device Inc. (8231) | 11 November 2021 | 75.00 | 89.19 | 63.36 |
| Shanghai Jin Jiang Capital Company Limited* (2006) | 24 November 2021 | 56.57 | 77.55 | 85.74 |
| Maximum | | 128.57 | 127.92 | 122.22 |
| Minimum | | 17.65 | 20.76 | 15.94 |
| Average | | 51.80 | 66.36 | 65.87 |
| The Company (the Merger) | 24 January 2021 | LFTD Premium – 107.69 LTD Premium – 47.95 | 30-days Premium – 92.86 | 180-days Premium – 120.41 |

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Notes:

1. *The date of the Takeovers Code Rule 3.5 announcement or Rule 3.7 announcement, whichever is earlier.*
2. *The premium of offer/cancellation price over closing price per share on last full trading day prior to the publication of initial announcement in relation to the respective privatisation (such date was chosen to exclude the effect of market reaction to the respective privatisation).*
3. *The premium of offer/cancellation price over average closing price per share on the 30 full trading days prior to the publication of initial announcement in relation to the respective privatisation (such date was chosen to exclude the effect of market reaction to the respective privatisation).*
4. *The premium of offer/cancellation price over average closing price per share on the 180 full trading days prior to the publication of initial announcement in relation to the respective privatisation (such date was chosen to exclude the effect of market reaction to the respective privatisation).*

The LFTD Premium, the LTD Premium, the 30-days Premium and the 180-days Premium fall within the relevant ranges of the Privatisation Cases.

Despite that the LTD Premium was less than the relevant average of the Privatisation Cases, taking into account that:

- (i) the Cancellation Price is above the closing price of the H Shares during the entire Review Period;
- (ii) the LFTD Premium, the 30-days Premium and the 180-days Premium are higher than the relevant averages of the Privatisation Cases; and
- (iii) the trading liquidity of the H Shares was low and disposal of a large number of H Shares by the H Shareholders in the open market may have adverse impact on the price of H Shares,

we consider the Cancellation Price to be fair and reasonable and we are of the view that the Merger provides an exit alternative for the H Shareholders who would like to realise their investments in the H Shares.

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RECOMMENDATION

Having taken into consideration the principal factors and reasons as discussed above, in particular:

- (i) Long-term growth strategies to be implemented by the Group may affect the Group's short-term growth profile and result in the divergence between the Company's view on its long-term value on one hand, and investors' views on the Company's share price on the other hand;
- (ii) the trading liquidity of the H Shares was low and disposal of a large number of H Shares by the H Shareholders in the open market may have adverse impact on the price of H Shares. The Merger provides the H Shareholders with an opportunity to realise their investment in the Company for cash at a premium without having to suffer any illiquidity discount; and
- (iii) the Cancellation Price being fair and reasonable,

we are of the opinion that the terms of the Merger are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Independent H Shareholders to vote in favour of the relevant resolutions which will be proposed at the EGM and the H Shareholders' Class Meeting to approve the Merger.

With reference to the Board Letter, according to the Articles, any Dissenting Shareholder may request the Company and/or the Consenting Shareholders to acquire its Shares at a "fair price". If any Dissenting Shareholder exercises its right, the Offeror will assume the obligation which the Company and/or the Consenting Shareholders may have towards such Dissenting Shareholder to acquire the Shares held by that Dissenting Shareholder at a "fair price". Details of the aforesaid right (including the criteria that the exercise of its right by a Dissenting Shareholder is subject to) are set out under the sub-section headed "Right of a Dissenting Shareholder" of the Board Letter.

The Independent H Shareholders should note that there is no administrative guidance on the substantive as well as procedural rules as to how the "fair price" will be determined under the PRC Laws. Thus, no assurance can be given as to (i) the time required for the process to take; (ii) any favourable results to be granted to the Dissenting Shareholders; and (iii) the cost may be incurred by the Dissenting Shareholders in such process for determining the "fair price".

For the avoidance of doubt, if the Merger does not proceed as a result of the Conditions not being fulfilled in full or waived (if applicable) or the Merger Agreement being terminated, the Dissenting Shareholders (if any) shall not be entitled to exercise their right as described above.

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As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

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

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

** For identification purpose only*

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the financial years ended 31 December 2018, 2019, 2020 and 2021.

| | For the year ended 31 December 2021 <i>RMB'000</i> Audited | For the year ended 31 December 2020 <i>RMB'000</i> Audited | For the year ended 31 December 2019 <i>RMB'000</i> Audited | For the year ended 31 December 2018 <i>RMB'000</i> Audited |
|--|---|---|---|---|
| Revenue | 12,073,257 | 15,624,478 | 11,691,038 | 11,411,780 |
| Profit/(Loss) before taxation | (1,101,941) | 204,935 | (149,515) | 95,398 |
| Income tax | <u>(107,715)</u> | <u>(249,368)</u> | <u>(297,537)</u> | <u>16,965</u> |
| Profit/(Loss) attributable to: | | | | |
| Equity shareholders of the Company | (839,574) | 57,123 | (289,688) | 114,087 |
| Non-controlling interests | (370,082) | (101,556) | (157,364) | (1,724) |
| Profit/(loss) for the year | <u>(1,209,656)</u> | <u>(44,433)</u> | <u>(447,052)</u> | <u>112,363</u> |
| Total comprehensive income attributable to: | | | | |
| Equity shareholders of the Company | 814,831 | 807,133 | (2,231) | 70,799 |
| Non-controlling interests | <u>(370,082)</u> | <u>(101,556)</u> | <u>(157,364)</u> | <u>(1,724)</u> |
| Total comprehensive income for the year | <u>444,749</u> | <u>705,577</u> | <u>(159,595)</u> | <u>69,075</u> |
| Earnings per share | | | | |
| – Basic and diluted (<i>RMB cents</i>) | <u>(13.85)</u> | <u>0.94</u> | <u>(4.78)</u> | <u>1.88</u> |

The Company has not declared or distributed any dividends for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

There are no other items of income or expense which are material for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

The consolidated financial statements of the Group for the three years ended 31 December 2019, 2020 and 2021 were audited by Ernst and Young. The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by KPMG. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the financial years ended 31 December 2018, 2019, 2020 and 2021.

2. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out or refer to in this document the consolidated statement of profit or loss, the consolidated statement of financial position, the consolidated cash flow statement, the consolidated statement of changes of equity and any other primary statement as shown in (1) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”); (2) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”); (3) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”); and (4) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”), and significant accounting policies together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out from pages 184 to 349 in the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) which was published on 26 April 2019 on the websites of the Company (<http://www.khjt.com.cn/khjtwwEn/cwbg/201905/a9a1a5db98f9481993020634f96356cd/files/ef87a09eb97c46b59afb1a68541ef5b6.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262765.pdf>).

The 2019 Financial Statements are set out from pages 177 to 353 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) which was published on 27 April 2020 on the websites of the Company (<http://www.khjt.com.cn/khjtwwEn/cwbg/202004/c24ed73ded6a49c3b674b39c2c18fcfe/files/eef4ea3f401843c180490059c46f2569.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701688.pdf>).

The 2020 Financial Statements are set out from pages 187 to 353 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) which was published on 22 April 2021 on the websites of the Company (<http://www.khjt.com.cn/khjtwEn/cwbg/202104/263a66bb40d74400b704e308422f0c13/files/ef7a5e22b4c74d8b8590877c3ae9e9e6.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042201650.pdf>).

The 2021 Financial Statements are set out from pages 188 to 365 in the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) which was published on 21 April 2022 on the websites of the Company (<http://www.khjt.com.cn/khjtwEn/cwbg/202204/b98f5d17d04743e8bd0295d253b6137a/files/a6f76615893f4fcf911ebfd997798f51.pdf>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042101760.pdf>).

The 2018 Financial Statements, the 2019 Financial Statements, the 2020 Financial Statements and the 2021 Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report, the 2020 Annual Report and the 2021 Annual Report in which they respectively appear) are incorporated by reference into this document and form part of this document.

3. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of approximately RMB6,208,330,000, details of which are as follows:

| | As at 31 January 2022 RMB '000 |
|--------------------------------------|---|
| Bank loans | |
| – Unsecured / Unguaranteed | 1,229,316 |
| Other loans | |
| – China Energy | |
| – Unsecured/Unguaranteed | 600,000 |
| – Related Parties under China Energy | |
| – Unsecured/Unguaranteed | 405,000 |
| Private placement notes | |
| – Unsecured/Guaranteed | 1,011,339 |
| Corporate bonds | |
| – Unsecured/Guaranteed | 2,962,675 |
| | 6,208,330 |
| | 6,208,330 |

As at 31 January 2022, the guaranteed private placement notes of approximately RMB1,011,339,000 and the corporate bonds of approximately RMB912,157,000 were guaranteed by China Energy, and Guodian Power provided China Energy with a counter-guarantee over its shares. At the same time, Guoneng Longyuan Environmental Co., Ltd.*, being a subsidiary of the Company, has provided a counter-guarantee of the same amount for Guodian Power in the form of a letter of counter-guarantee. The remaining guaranteed corporate bonds of approximately RMB2,050,518,000 were also guaranteed by China Energy.

Lease Liabilities

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding unsecured and unguaranteed lease liabilities of approximately RMB135,677,000 in respect of land, buildings and structures.

Contingent Liabilities

As at
31 January
2022
RMB '000

Issued Guarantees

– Performance guarantees

647,657

Save as disclosed above and apart from normal accounts payable in the ordinary course of the business, as at the close of business on 31 January 2022, 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 31 January 2022.

4. MATERIAL CHANGE

The Directors confirm that there was no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

As at the date of this document, the Offeror's sole director is Mr. TANG Chaoxiong. The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document (other than in relation to the Group) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

As at the date of this document, the board of directors of China Energy comprises Mr. WANG Xiangxi, Mr. LIU Guoyue, Mr. WANG Min, Mr. WANG Shoujun, Mr. ZHAO Jibin, Mr. YANG Ya, Mr. LI Yanjiang, Mr. YANG Aimin and Mr. WU Guoping. The directors of China Energy jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than in relation to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

As at the date of this document, the Board comprises Mr. CHEN Dongqing and Mr. LI Caiyun as executive Directors, Mr. SONG Chang, Mr. JIANG Jianwu, Mr. ZHANG Wenjian, Mr. GU Yuchun and Ms. GE Xiaojing as non-executive Directors, and Mr. SHEN Xiaoliu, Mr. QU Jiuhui, Mr. XIE Qiuye and Mr. YEUNG Chi Tat as independent non-executive Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than in relation to the Offeror and China Energy) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the sole director of the Offeror and the directors of China Energy) have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any of the statements in this document misleading.

2. SHARE CAPITAL OF THE COMPANY

- (1) As at the Latest Practicable Date, the registered share capital of the Company was RMB6,063,770,000, and the total issued share capital of the Company was RMB6,063,770,000, consisting of 1,309,770,000 H Shares of a par value of RMB1.00 each and 4,754,000,000 Domestic Shares with a par value of RMB1.00 each.
- (2) All Shares rank pari passu in all respects as regards rights to capital, dividends and voting.
- (3) There is no option, warrant or conversion right affecting the Shares.
- (4) From 31 December 2021 (i.e. the date on which the Company's previous financial year ends) to the Latest Practicable Date, the Company did not issue any Shares.

3. MARKET PRICES

The table below sets out the closing price of the H Shares on the Stock Exchange on (1) the last business day of each of the calendar months during the Relevant Period, (2) the Last Trading Date, and (3) the Latest Practicable Date:

| Date | Closing price of each H Share (HK\$) |
|---|---|
| 30 July 2021 | 0.455 |
| 31 August 2021 | 0.520 |
| 30 September 2021 | 0.710 |
| 29 October 2021 | 0.540 |
| 30 November 2021 | 0.445 |
| 31 December 2021 | 0.580 |
| 19 January 2022 (Last Trading Date) | 0.730 |
| 28 February 2022 | 1.030 |
| 31 March 2022 | 1.060 |
| 26 April 2022 (Latest Practicable Date) | 1.060 |

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$1.06 on 31 March 2022, 1 April 2022, 6 April 2022, 25 April 2022 and 26 April 2022, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$0.41 on 9 August 2021 and 10 August 2021.

4. DISCLOSURE OF INTERESTS IN THE SHARES BY THE COMPANY

(a) Interests of the directors, supervisors and chief executives of the Company in the securities of the Company and the securities of the associated corporations of the Company

As at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (1) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (2) to be entered in the register required to be kept pursuant to section 352 of the SFO; or (3) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. In addition, as at the latest Practicable Date, none of the Directors, supervisors and chief executives of the Company were interested in any shareholdings in the Company which were to be disclosed pursuant to the Takeovers Code.

(b) Interests of substantial shareholders in the securities of the Company

As at the Latest Practicable Date, save as disclosed below, so far as was known to the Board, no persons (not being a Director, supervisor or chief executive of the Company) had an interest or a short position in the Shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

| Name of Shareholder | Class of Shares | Capacity/ Nature of interests | Number of Shares (shares) | Approximate percentage in the relevant class of Shares ⁽¹⁾ | Approximate percentage in the total share capital ⁽²⁾ |
|--|-----------------|--|----------------------------------|--|---|
| China Energy Investment Corporation Limited ⁽³⁾ | Domestic Shares | Beneficial owner/Interest of corporation controlled by the substantial shareholder | 4,754,000,000 (Long position) | 100% | 78.40% |
| Guodian Power Development Co., Ltd. ⁽³⁾ | Domestic Shares | Beneficial owner | 2,376,500,000 (Long position) | 49.99% | 39.19% |
| Mr. YAN Andrew Y ⁽⁴⁾ | H Shares | Interest of corporation controlled by the substantial shareholder | 288,200,000 | 22.00% | 4.75% |
| SAIF IV GP Capital Ltd. ⁽⁴⁾ | H Shares | Interest of corporation controlled by the substantial shareholder | 288,200,000 | 22.00% | 4.75% |

| Name of Shareholder | Class of Shares | Capacity/ Nature of interests | Number of Shares (shares) | Approximate percentage in the relevant class of Shares ⁽¹⁾ | Approximate percentage in the total share capital ⁽²⁾ |
|--------------------------------------|-----------------|--|---------------------------------|--|---|
| SAIF IV GP, L.P. ⁽⁴⁾ | H Shares | Interest of corporation controlled by the substantial shareholder | 288,200,000 | 22.00% | 4.75% |
| SAIF Partners IV L.P. ⁽⁴⁾ | H Shares | Beneficial owner | 288,200,000 | 22.00% | 4.75% |
| UBS Group AG | H Shares | Interest of corporation controlled by the substantial shareholder | 125,255,999 (Long position) | 9.56% | 2.07% |
| | | Interest of corporation controlled by the substantial shareholder | 235,000 (Short position) | 0.02% | 0.004% |
| JPMorgan Chase & Co. | H Shares | Interest of corporation controlled by the substantial shareholder | 30,876,000 (Long position) | 2.36% | 0.51% |
| | | Interest of corporation controlled by the substantial shareholder | 30,400,000 (Short position) | 2.32% | 0.50% |
| | | Person having a security interest in the Shares | 74,539,009 (Long position) | 5.69% | 1.23% |

Notes:

- (1) It is calculated on the basis that the Company had issued 4,754,000,000 Domestic Shares and 1,309,770,000 H Shares as at the Latest Practicable Date.
- (2) It is calculated on the basis that the Company had issued 6,063,770,000 Shares as at the Latest Practicable Date.
- (3) China Energy directly held 2,377,500,000 Domestic Shares, accounting for 39.21% of the total issued share capital of the Company, and through its subsidiary, Guodian Power, it held 2,376,500,000 Domestic Shares, accounting for 39.19% of the total issued share capital of the Company. China Energy held a total of 4,754,000,000 Domestic Shares, accounting for about 78.40% of the total issued share capital of the Company, and therefore China Energy is the controlling shareholder of the Company.
- (4) Mr. YAN Andrew Y. indirectly held 22.00% interest in the H Shares via SAIF Partners IV L. P. through SAIF IV GP Capital Ltd. and SAIF IV GP, L.P.. Mr. YAN Andrew Y. is the controlling shareholder of SAIF IV GP Capital Ltd., SAIF IV GP LP, and SAIF Partners IV L. P.. SAIF IV GP Capital Ltd. is the controlling shareholder of SAIF IV GP, L.P., which is the controlling shareholder of SAIF Partners IV L.P.. SAIF Partners IV L.P. held 22.00% interest in the H Shares. Therefore, Mr. YAN Andrew Y., SAIF IV GP Capital Ltd. and SAIF IV GP, L.P. are deemed to be interested in the H Shares held by SAIF Partners IV L.P..

(c) **Additional disclosure of interests**

As at the Latest Practicable Date:

- (a) none of the Directors was interested within the meaning of Part XV of the SFO in the Shares or any warrants, options, convertible securities or derivatives in respect of any Shares;
- (b) none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader and exempt fund managers, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert, or any of the Company’s associates by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person;
- (d) no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis;
- (e) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to vote in favour or against the Merger; and
- (f) none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.

5. DISCLOSURE OF INTERESTS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY

As at the Latest Practicable Date:

- (1) the Company did not own any shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror; and
- (2) none of the Directors had any interest in the shares, convertible securities, warrants, options, or derivatives in respect of any shares in the Offeror.

6. DEALINGS IN THE SHARES BY THE COMPANY

- (a) During the Relevant Period, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares;
- (b) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert in the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (c) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares; and
- (d) During the period beginning from the date of the Joint Announcement up to the Latest Practicable Date, no person between whom there is arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code and the Company, or any person who is presumed to be acting in concert with the Company virtue of classes (1), (2), (3) and (5) of the definition of acting in concert, or any of the Company’s associates by virtue of classes, (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (e) During the Relevant Period, no person who had irrevocably committed themselves to vote their Shares in favour of the resolutions in respect of the Merger had dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

7. DEALINGS IN THE SECURITIES OF THE OFFEROR BY THE COMPANY

During the Relevant Period, neither the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of any shares in the Offeror.

8. DISCLOSURE OF INTERESTS IN THE SHARES BY THE OFFEROR

As at the Latest Practicable Date:

- (1) none of the Offeror or the sole director of the Offeror was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (2) none of the concert parties of the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares, excluding Shares held on behalf of non-discretionary investment clients of the CICC group (for the avoidance of doubt, members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code, are not considered to be concert parties of the Offeror), save as disclosed in the sub-paragraph headed “3. Shareholding in the Company” in the section headed “LETTER FROM THE BOARD”;
- (3) save for the shareholdings of the IU Shareholders which is subject to the Irrevocable Undertakings, there was no existing holding of voting rights and rights over Shares in respect of which the Offeror, China Energy or any person acting in concert with either of them had received an irrevocable commitment in relation to the voting of the resolutions in respect of the Merger;
- (4) save for the Merger Agreement, the Operating Agreement and the transactions contemplated thereunder, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Merger;
- (5) there was no agreement or arrangement (other than the Merger Agreement and the transactions contemplated thereunder) to which the Offeror or China Energy was a party which related to the circumstances in which either of them might or might not invoke or seek to invoke a pre-condition or condition of the Merger; and
- (6) none of the Offeror or any of the concert parties of the Offeror had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of the Shares, save for any borrowed Shares which have been either on-lent or sold.

Save for the Irrevocable Undertakings, the Offeror confirms that there was no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2) (a) the Offeror, China Energy and any person acting in concert with either of them or (b) the Company, its subsidiaries or associated companies from 22 December 2021 (i.e. the date on which the Merger is reasonably in contemplation) to the Latest Practicable Date.

There is no other consideration, compensation or benefit in any form paid or to be paid by the Offeror, China Energy and any person acting in concert with either of them in relation to the Merger, other than the Cancellation Price and the issue of the Offeror's registered capital.

9. DEALINGS IN THE SHARES BY THE OFFEROR

- (1) None of the Offeror or the sole director of the Offeror or any of the concert parties of the Offeror had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares (excluding non-proprietary trades conducted by members of the CICC group for and on behalf of clients of the CICC group) during the Relevant Period (for the avoidance of doubt, members of the CICC group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code, are not considered to be concert parties of the Offeror).
- (2) No person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the concert parties of the Offeror had dealt for value in the Shares or any convertible securities, warranties, options or derivatives in respect of the Shares during the Relevant Period.

10. ARRANGEMENTS IN CONNECTION WITH THE MERGER

(1) Arrangements affecting the Directors

As at the Latest Practicable Date:

- (i) no benefit (save for statutory compensation required under applicable laws) would be given to any Director as compensation for loss of office or otherwise in connection with the Merger;
- (ii) there were no agreements or arrangements between any Director and any other person which was conditional on or dependent upon the outcome of the Merger or otherwise connected with the Merger; and
- (iii) there were no material contracts entered into by the Offeror in which any Director had a material personal interest.

(2) Arrangements with the Company in connection with the Merger

- (i) The emolument of the Directors will not be affected by the Merger or by any associated transactions.
- (ii) As at the Latest Practicable Date, save for the IU Shareholders, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares had irrevocably committed themselves to vote their Shares in favour of or against (as the case may be) the resolutions in respect of the Merger.

(3) Arrangement with the Offeror in connection with the Merger

- (i) Save as disclosed in paragraphs headed “3. Principal Terms of the Merger Agreement” and “5. Irrevocable Undertakings” in the section headed “LETTER FROM THE BOARD”, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Merger.
- (ii) Save for the Merger and the transactions contemplated thereunder, there is no agreement or arrangement to which the Offeror or China Energy is a party which relate to the circumstances in which either of them may or may not invoke or seek to invoke a condition to the Merger.
- (iii) As at the Latest Practicable Date, the Offeror did not have any intention to transfer, charge or pledge any Shares acquired pursuant to the Merger to any other person.
- (iv) As at the Latest Practicable Date, there were no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with the Offeror and any other person.

11. MATERIAL CONTRACTS

The following contracts (being the contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by the Company or any of its subsidiaries within two years before the date of the Joint Announcement up to and including the Latest Practicable Date, which are or may be material:

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

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

- (10) on 18 March 2021, China Energy Group Xinjiang Energy Co., Ltd.* (國家能源集團新疆能源有限責任公司) (being a wholly-owned subsidiary of China Energy and a connected person of the Company), Xinjiang Derun Economic Construction Development Co., Ltd.* (新疆德潤經濟建設發展有限公司) (being an independent third party), State Grid Xinjiang Electric Power Co., Ltd.* (國網新疆電力有限公司) (being an independent third party), Beijing Longyuan Environmental Engineering Co., Ltd.* (北京國電龍源環保工程有限公司) (being a wholly-owned subsidiary of the Company) and TBEA Xinjiang Sunoasis Co., Ltd.* (特變電工新疆新能源股份有限公司) (being an independent third party) entered into a joint venture agreement, pursuant to which a joint venture company will be jointly established by the parties thereto with a registered capital of RMB200,010,000. Beijing Longyuan Environmental Engineering Co., Ltd. will contribute RMB30,001,500 in cash to the joint venture company, accounting for 15% of the total registered capital of the joint venture company;
- (11) on 22 January 2021, the Company entered into an equity transfer agreement with China Energy Capital Holdings Co., Ltd.* (國家能源集團資本控股有限公司) (being a wholly-owned subsidiary of China Energy and a connected person of the Company) pursuant to which the Company agreed to sell, and China Energy Capital Holdings Co., Ltd. agreed to acquire, 5% of the equity interest in Guodian Insurance Broker (Beijing) Co., Ltd. (國電保險經紀(北京)有限公司), at the consideration of RMB46,923,140.79;
- (12) on 29 September 2020, the Company entered into a financial services framework agreement with China Energy Finance Co., Ltd.* (國家能源集團財務有限公司) (“**China Energy Finance**”) (being a wholly-owned subsidiary of China Energy and a connected person of the Company), pursuant to which China Energy Finance shall provide finance services to the Group for a term from the date of consideration and approval at the general meeting of the Company to 31 December 2022, with an annual cap of RMB4,500 million for each year; and
- (13) on 13 August 2020, Beijing Guodian Longyuan Environmental Engineering Co., Ltd.* (北京國電龍源環保工程有限公司) (being a subsidiary of the Company), entered into an investment agreement with Tianshenggang Power Generation Co., Ltd.* (天生港發電有限公司) (being a wholly-owned subsidiary of Longyuan Power and a connected person of the Company) and Jin Tong Ling Technology Group Co., Ltd.* (金通靈科技集團股份有限公司) (being an independent third party) on the establishment of a joint venture. Beijing Guodian Longyuan Environmental Engineering Co., Ltd. will contribute RMB26 million in cash to the joint venture, accounting for 26% of the total registered capital of the joint venture.

12. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

13. EXPERTS' QUALIFICATIONS AND CONSENT

The following are the names and qualifications of the experts whose letter, opinions or advice are contained or referred to in this document:

| Name | Qualifications |
|----------------------|---|
| CICC | the financial adviser to the Offeror, in connection with the Merger, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| Gram Capital Limited | the Independent Financial Adviser, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

Each of the above experts has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its opinions, and the references to its name and opinions in the form and context in which they respectively appear.

14. SERVICE CONTRACTS

The following service agreements/letters of appointment have been entered into by the Directors with the Company within six months before the date of commencement of the Offer Period:

| Directors | Title | Commencement date of the service agreement/letter of appointment | Expiry date of the service agreement/letter of appointment | Fixed remuneration payable (per annum, RMB'000) |
|------------------|--------------------|--|--|---|
| Mr. LI Caiyun | Executive Director | 19 October 2021 | 6 August 2023 | 675.51 |
| | Non-executive | | | |
| Mr. JIANG Jianwu | Director | 28 December 2021 | 6 August 2023 | Nil |

In addition to the fixed remuneration payable per annum as disclosed above, Mr. LI Caiyun is also entitled to discretionary management bonus under the service agreement with the Company with reference to his performance and the performance of the Company during the year, to be determined by the Board and the Remuneration Committee of the Company.

Under the service agreement with the Company as disclosed above, Mr. JIANG Jianwu is not entitled to any discretionary bonus.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing service contract with the Company or any of its subsidiaries or associated companies which (1) (including both continuous and fixed-term contracts) had been entered into, or amended within six months before the date of commencement of the Offer Period; (2) was a continuous contract with a notice period of 12 months or more; (3) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (4) was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

15. OTHER INFORMATION

- (1) The registered address of the Offeror is Suite 1201, 12/F, Building 1, Yard 16, W.4th Ring Middle Road, Haidian District, Beijing, PRC.
- (2) The sole director of the Offeror is Mr. TANG Chaoxiong.
- (3) The principal members of the Offeror's concert group include (i) China Energy; (ii) the Company; and (iii) Guodian Power. Details (including directors) of the principal members of the Offeror's concert group are as follows:

| Name of the principal member | Address | Director(s) |
|------------------------------|---|--|
| China Energy | 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, PRC | Mr. WANG Xiangxi Mr. LIU Guoyue Mr. WANG Min Mr. WANG Shoujun Mr. ZHAO Jibin Mr. YANG Ya Mr. LI Yanjiang Mr. YANG Aimin Mr. WU Guoping |
| The Company | Registered office: Suite 1101, 11/F, Building 1, Yard 16, W.4th Ring Middle Road, Haidian District, Beijing, PRC Principal place of business in Hong Kong: 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong | Mr. CHEN Dongqing Mr. LI Caiyun Mr. SONG Chang Mr. JIANG Jianwu Mr. ZHANG Wenjian Mr. GU Yuchun Ms. GE Xiaojing Mr. SHEN Xiaoliu Mr. QU Jiuhei Mr. XIE Qiuye Mr. YEUNG Chi Tat |

| Name of the principal member | Address | Director(s) |
|------------------------------|--|--|
| Guodian Power | No.19, Anyuan, Anhui Bei Li, Chaoyang District, Beijing, PRC | Mr. LIU Guo Yue Mr. JIA Yan Bing Mr. LUO Mei Jian Mr. LUAN Bao Qing Mr. YANG Qin Mr. LIU Yan Mr. WU Ge Mr. LV Yue Gang Mr. LIU Chao An |

- (4) CICC is the financial adviser to the Offeror in relation to the Merger and its address is 29/F One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (5) In case of inconsistency, the English version of this document shall prevail over the Chinese version.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from the date of this document until the date on which the Offer Period ends (both dates inclusive): (1) at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. from Monday to Friday, excluding public holidays); (2) on the Company's website at <http://www.khjt.com.cn/khjtwwEn/>; and (3) on the SFC's website at www.sfc.hk:

- (1) the Articles;
- (2) the articles of association of the Offeror;
- (3) the annual reports containing the financial statements of the Company for each of the financial years ended 2018, 2019, 2020 and 2021;

- (4) the Irrevocable Undertakings;
- (5) the letter from the Board, the full text of which is set out in this document from pages 1 to 24;
- (6) the letter from the Independent Board Committee, the full text of which is set out in this document on pages 25 to 26;
- (7) the letter from Gram Capital, the full text of which is set out in this document from pages 27 to 50;
- (8) the material contract(s) referred to in the section headed “11. Material Contracts” in this Appendix II;
- (9) the letters of consent referred to in the section headed “13. Experts’ Qualifications and Consent” in this Appendix II;
- (10) the Directors’ service agreements/letters of appointment referred to in the section headed “14. Service Contracts” in this Appendix II; and
- (11) this document.

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 limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 01296)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Guodian Technology & Environment Group Corporation Limited* (the “**Company**”) will be held at 9:30 a.m. on Friday, 20 May 2022 at Suite 1212, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the People’s Republic of China, for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the composite document jointly issued by the Company and Beijing Chunhui Qingyun Technological and Environmental Corporation Limited* (北京春暉青雲科技環保有限公司) (the “**Offeror**”) dated 29 April 2022.

AS SPECIAL RESOLUTION

1. (a) To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 24 January 2022 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.
- (b) To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By order of the Board

Guodian Technology & Environment Group Corporation Limited*

CHEN Dongqing

Chairman of the Board

Beijing, PRC

29 April 2022

As at the date of this notice, the Board comprises Mr. CHEN Dongqing and Mr. LI Caiyun as executive Directors, Mr. SONG Chang, Mr. JIANG Jianwu, Mr. ZHANG Wenjian, Mr. GU Yuchun and Ms. GE Xiaojing as non-executive Directors, and Mr. SHEN Xiaoliu, Mr. QU Jiuhui, Mr. XIE Qiuye and Mr. YEUNG Chi Tat as independent non-executive Directors.

* For identification purposes only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. In order to determine the shareholders of H Shares who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 18 May 2022 to Friday, 20 May 2022, both days inclusive, during which period no transfer of the Company's shares will be registered. To be eligible to attend and vote at the EGM, all instruments of transfer accompanied by relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 17 May 2022. Shareholders whose names are recorded in the register of members of the Company on Friday, 20 May 2022 are entitled to attend the EGM.
2. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies (whether he/she is a shareholder) to attend and vote at the EGM on his or her behalf. The form of proxy shall contain the number of the shares to be represented by the proxy. If several persons are authorised as the proxies of a shareholder, the form of proxy shall specify the number and class of shares to be represented by each proxy. Shareholders are reminded to indicate their voting instructions on the form of proxy.
3. The form of proxy shall be signed by the appointer or his attorney duly authorised in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its directors or attorney duly authorised.
4. To be valid, the form of proxy must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of H Shares), or to the head office of the Company in the PRC at Suite 1225, Building 1, Yard 16, W.4th Ring Middle Road, Haidian District, Beijing, PRC (for the holders of Domestic Shares) not less than 24 hours prior to the holding of the EGM. If the form of proxy is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the form of proxy, be deposited at the specified place at the time set out in the form of proxy.
5. If the appointer is a legal person, its legal representative or any person authorised by resolutions of the board of directors or other governing bodies may attend the EGM on behalf of the appointer.
6. The Company has the right to request a proxy who attends the EGM on behalf of a shareholder to provide proof of identity. If a legal person shareholder appoints its representative to attend the meeting, the Company is entitled to require the representative to present his own identification document and a notarially certified copy of the resolution or power of attorney authorized by the board of directors or other competent body of such legal person shareholder (except for a recognized clearing house as defined by relevant ordinances in force from time to time in accordance with Hong Kong laws or its proxies).
7. Shareholders intending to attend the EGM must return the reply slip to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for the holders of H Shares) by hand or by post, or to the head office of the Company in the PRC at Suite 1225, Building 1, Yard 16, W.4th Ring Middle Road, Haidian District, Beijing, PRC (for the holders of Domestic Shares) by hand or by post on or before Thursday, 12 May 2022.
8. Contact details of the Company in the PRC are as follows:

Address: Building 1, Yard 16, W.4th Ring Middle Road, Haidian District,
Beijing, PRC

Telephone number: (8610) 5765 9867

NOTICE OF H SHAREHOLDERS' CLASS MEETING



國電科技環保集團股份有限公司

GUODIAN TECHNOLOGY & ENVIRONMENT GROUP CORPORATION LIMITED*

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

(Stock code: 01296)

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that an H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Guodian Technology & Environment Group Corporation Limited* (the "**Company**") will be held at 10:00 a.m. or immediately following the conclusion of the EGM or any adjournment thereof on Friday, 20 May 2022 at Suite 1212, Building 1, Yard 16, W. 4th Ring Middle Road, Haidian District, Beijing, the People's Republic of China, for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the composite document jointly issued by the Company and Beijing Chunhui Qingyun Technological and Environmental Corporation Limited* (北京春暉青雲科技環保有限公司) (the "**Offeror**") dated 29 April 2022.

AS SPECIAL RESOLUTION

1. (a) To consider and, if thought fit, to approve, confirm and ratify the Merger Agreement dated 24 January 2022 entered into between the Company and the Offeror and the Merger and the transactions contemplated under the Merger Agreement.
- (b) To consider and, if thought fit, to approve that any Director be authorised to do all such acts and things, to sign and execute all such other documents, deeds and instruments, to make applications to the relevant regulatory authorities and to take such steps as he may consider necessary, appropriate, expedient and in the interest of the Company to give effect to and in connection with any transactions contemplated under the Merger Agreement.

By order of the Board

Guodian Technology & Environment Group Corporation Limited*

CHEN Dongqing

Chairman of the Board

Beijing, PRC

29 April 2022

As at the date of this notice, the Board comprises Mr. CHEN Dongqing and Mr. LI Caiyun as executive Directors, Mr. SONG Chang, Mr. JIANG Jianwu, Mr. ZHANG Wenjian, Mr. GU Yuchun and Ms. GE Xiaojing as non-executive Directors, and Mr. SHEN Xiaoliu, Mr. QU Jiuhui, Mr. XIE Qiuye and Mr. YEUNG Chi Tat as independent non-executive Directors.

* For identification purposes only

NOTICE OF H SHAREHOLDERS' CLASS MEETING

Notes:

1. In order to determine the shareholders of H Shares who will be entitled to attend and vote at the H Shareholders' Class Meeting, the register of members of the Company will be closed from Wednesday, 18 May 2022 to Friday, 20 May 2022, both days inclusive, during which period no transfer of the Company's shares will be registered. To be eligible to attend and vote at the H Shareholders' Class Meeting, all instruments of transfer accompanied by relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 17 May 2022. Shareholders whose names are recorded in the register of members of the Company on Friday, 20 May 2022 are entitled to attend the H Shareholders' Class Meeting.
2. A shareholder entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies (whether he/she is a shareholder) to attend and vote at the H Shareholders' Class Meeting on his or her behalf. The form of proxy shall contain the number of the shares to be represented by the proxy. If several persons are authorised as the proxies of a shareholder, the form of proxy shall specify the number and class of shares to be represented by each proxy. Shareholders are reminded to indicate their voting instructions on the form of proxy.
3. The form of proxy shall be signed by the appointer or his attorney duly authorised in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its directors or attorney duly authorised.
4. To be valid, the form of proxy must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 24 hours prior to the holding of the H Shareholders' Class Meeting. If the form of proxy is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the form of proxy, be deposited at the specified place at the time set out in the form of proxy.
5. If the appointer is a legal person, its legal representative or any person authorised by resolutions of the board of directors or other governing bodies may attend the H Shareholders' Class Meeting on behalf of the appointer.
6. The Company has the right to request a proxy who attends the H Shareholders' Class Meeting on behalf of a shareholder to provide proof of identity. If a legal person shareholder appoints its representative to attend the meeting, the Company is entitled to require the representative to present his own identification document and a notarially certified copy of the resolution or power of attorney authorized by the board of directors or other competent body of such legal person shareholder (except for a recognized clearing house as defined by relevant ordinances in force from time to time in accordance with Hong Kong laws or its proxies).
7. Shareholders intending to attend the H Shareholders' Class Meeting must return the reply slip to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H shares of the Company), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by hand or by post on or before Thursday, 12 May 2022.
8. Contact details of the Company in the PRC are as follows:

Address: Building 1, Yard 16, W.4th Ring Middle Road, Haidian District,
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