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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in **China Energy Engineering Corporation Limited\***, you should at once hand this circular and the accompanying proxy form and the reply slip to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**中國能源建設股份有限公司**  
**CHINA ENERGY ENGINEERING CORPORATION LIMITED\***  
*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 3996)**

**PROPOSED SPIN-OFF OF THE SUBSIDIARY GEZHOUBA EXPLOSIVE  
FOR REORGANIZATION AND LISTING  
AND  
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022**

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A notice of the EGM to be held at Room 2702, Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC on Friday, 30 September 2022, at 9:00 a.m. is set out on pages 46 to 48 of this circular.

A reply slip and a proxy form for use at the EGM are enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ceec.net.cn>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon by 9:00 a.m. on Thursday, 29 September 2022. Completion, signing and return of the proxy form will not preclude you from attending and voting in person at the EGM. Shareholders who intend to attend the EGM in person or by proxy should complete, sign and return the reply slip in accordance with the instructions printed thereon on or before Wednesday, 28 September 2022.

16 September 2022

\* For identification purpose only

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:*

“A Share(s)”	the ordinary Share(s) of the Company, with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
“Articles of Association”	the Articles of Association of China Energy Engineering Corporation Limited, as amended, modified or otherwise supplemented from time to time
“Asset Valuation Report”	the Asset Valuation Report on the Value of All Shareholders’ Equity of China Gezhouba Group Explosive Co., Ltd.* (中國葛洲壩集團易普力股份有限公司) involved in the Proposed Issuance of Shares for Assets Acquisition by Hunan Nanling Industry Explosive Material Co., Ltd.* (湖南南嶺民用爆破器材股份有限公司) (Zhong Qi Hua Ping Bao Zi (2022) No. 6031) issued by the Valuer
“Board” or “Board of Directors”	the board of directors of the Company
“CGGC”	China Gezhouba Group Stock Company Limited* (中國葛洲壩集團股份有限公司), a subsidiary of the Company
“CGGC Group”	China Gezhouba Group Company Limited, a subsidiary of the Company
“Closing Date”	the date on which the change of industrial and commercial registration of 95.54% shares of Gezhouba Explosive to Nanling Industry Explosive has been completed
“Company” or “CEEC”	China Energy Engineering Corporation Limited (中國能源建設股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 3996) and whose A Shares are listed on the Shanghai Stock Exchange (Stock Code: 601868)
“Company Law”	Company Law of the Peoples Republic of China
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration of the Transaction”	the consideration paid by Nanling Industry Explosive by way of issuing shares under the issuance of shares for acquisition of shares of Gezhouba Explosive
“Counterparties to the Transaction”	collectively, CGGC, Pangang Mining and the 23 Natural Persons

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## DEFINITIONS

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“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of 2022 of the Company to be held at Room 2702, Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC on Friday, 30 September 2022, at 9:00 a.m. and any adjournment thereof (as the case may be)
“Gezhouba Explosive”	China Gezhouba Group Explosive Co., Ltd.* (中國葛洲壩集團易普力股份有限公司), a subsidiary of the Company
“H Share(s)”	the ordinary Share(s) of the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Issuance of Shares for Assets Acquisition”	Nanling Industry Explosive intends to acquire 668,793,726 shares of Gezhouba Explosive (representing approximately 95.54% of the total share capital of Gezhouba Explosive) held by CGGC, Pangang Mining and the 23 Natural Persons, all being shareholders of Gezhouba Explosive, by way of issuing shares to them
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanling Chemical Group”	Hunan Nanling Chemical Group Co., Ltd.* (湖南省南嶺化工集團有限責任公司), an indirect wholly-owned subsidiary of Hunan SASAC. It directly holds 40.65% of the shares of Nanling Industry Explosive before the completion of the Transaction and is the controlling shareholder of Nanling Industry Explosive
“Nanling Industry Explosive”	Hunan Nanling Industry Explosive Material Co., Ltd.* (湖南南嶺民用爆破器材股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002096)
“Pangang Mining”	Panzhuhua Pangang Group Mining Company* (攀鋼集團礦業有限責任公司), a company established in the PRC with limited liability on 28 June 1994. It holds 7.43% of shares of Gezhouba Explosive before the completion of the Transaction. It is a wholly-owned subsidiary of Pangang Group Company Limited (攀鋼集團有限公司), and its ultimate beneficial owner is the SASAC

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## DEFINITIONS

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“PRC”	the People’s Republic of China
“Provisions on the Spin-off”	Provisions on the Spin-off of Listed Companies (Trial)
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“Securities Law”	Securities Law of the People’s Republic of China
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shareholder(s)”	registered holder(s) of the Company’s Share(s)
“Share(s)”	share(s) with a par value of RMB1.00 each in share capital of the Company
“Share Issuance for Fund Raising” or “Fund Raising”	Nanling Industry Explosive proposed to non-public issue shares to not exceeding 35 selected investors for fund raising
“Shenfu Investment”	Hunan Shenfu Investment Management Co., Ltd.* (湖南神斧投資管理有限公司), an indirect wholly-owned subsidiary of Hunan SASAC. It directly holds 22.75% of the shares of Nanling Industry Explosive before the completion of the Transaction and is a person acting in concert of Nanling Chemical Group
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Spin-off and Listing” or “Spin-off”	the proposal regarding the spin-off, reorganization and listing of Gezhouba Explosive by the Company
“stock exchanges”	the Shanghai Stock Exchange, the Shenzhen Stock Exchange and/or the Hong Kong Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the committee of supervisors of the Company

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## DEFINITIONS

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“Transaction”	Nanling Industry Explosive intends to acquire 668,793,726 shares of Gezhouba Explosive (representing approximately 95.54% of the total share capital of Gezhouba Explosive) held by CGGC, Pangang Mining and the 23 Natural Persons, all being shareholders of Gezhouba Explosive, by way of issuing shares to them, and to raise relevant funds through non-public issuance of shares to no more than 35 specific investors
“Valuer”	Beijing Zhongqihua Asset Appraisal Co., Ltd. (北京中企華資產評估有限責任公司)
“23 Natural Persons”	23 natural persons holding a total of 138,286,264 shares of Gezhouba Explosive (approximately 19.76% of the total share capital of Gezhouba Explosive), namely Song Xiaolu (宋小露), Yu Tongguo (于同國), Chen Wenjie (陳文傑), Song Xiaoli (宋小麗), Liu Qiurong (劉秋榮), Zhu Jin (朱晉), Jiang Mao (蔣茂), Zhao Yucheng (趙俞丞), Lu Aiping (魯愛平), Wen Wei (文尉), Xu Wenyin (徐文銀), Wu Chunhua (吳春華), Chen Jiahua (陳家華), Sheng Hongwei (盛弘煒), Jiang Jinlan (蔣金蘭), Liao Jinping (廖金平), Qin Shiping (覃事平), Zeng Geng (曾耿), Zhu Lijun (朱立軍), Liu Peng (劉鵬), Ji Hao (吉浩), Zhang Shunshuang (張順雙) and Li Ling (李玲). The 23 Natural Persons are third parties independent of the Company and its connected persons
“%”	per cent

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## LETTER FROM THE BOARD

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中國能源建設股份有限公司  
**CHINA ENERGY ENGINEERING CORPORATION LIMITED\***

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

**(Stock Code: 3996)**

*Executive Directors:*

Mr. Song Hailiang (*Chairman*)  
Mr. Sun Hongshui (*Vice Chairman*)  
Mr. Ma Mingwei

*Non-executive Directors:*

Mr. Li Shulei  
Mr. Liu Xueshi  
Mr. Si Xinbo

*Independent Non-executive Directors:*

Mr. Zhao Lixin  
Mr. Cheng Niangao  
Dr. Ngai Wai Fung

*Registered office:*

Room 01-2706, 1-24/F, Building 1  
No. 26A West Dawang Road  
Chaoyang District  
Beijing  
PRC

*Principal place of business in Hong Kong:*

31/F, Tower Two, Times Square  
1 Matheson Street, Causeway Bay  
Hong Kong

16 September 2022

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED SPIN-OFF OF THE SUBSIDIARY GEZHOUBA EXPLOSIVE  
FOR REORGANIZATION AND LISTING  
AND  
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022**

**INTRODUCTION**

The purpose of this circular is to give you the notice of the EGM, which is set out on pages 46 to 48 of this circular and to provide you with information reasonably necessary to enable you to make informed decision on voting for or against the resolutions to be proposed at the EGM as described below.

At the EGM, special resolutions concerning the following matters of the Company will be proposed to consider and approve: (i) the Resolution regarding the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China Gezhouba Group Stock Company Limited, a Subsidiary of the Company; (ii) the Resolution regarding the Compliance of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. with the Requirements of Relevant Laws and Regulations; (iii) the Resolution regarding the Plan for Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd.; (iv) the Resolution regarding the Proposal for the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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Energy Engineering Corporation Limited (2nd Revised Draft); (v) the Resolution regarding the Compliance of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. with the Provisions on the Spin-off of Listed Companies (Trial); (vi) the Resolution regarding the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. which Benefits the Safeguarding of the Legitimate Rights and Interests of Shareholders and Creditors; (vii) the Resolution regarding the Maintenance of Independence and Sustainable Operation Ability of the Company; (viii) the Resolution regarding the Ability of the Corresponding Standardized Operation of the New Company Established upon the Spin-off; (ix) the Resolution regarding the Explanation of the Completeness and Compliance Conforming to Statutory Procedures of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. and the Validity of Submitted Legal Documents; (x) the Resolution regarding the Analysis on the Objectives, Commercial Reasonableness, Necessity and Feasibility of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd.; and (xi) the Resolution regarding the Authorisation by the General Meeting to the Board of Directors and Its Delegated Persons to Deal with Matters Relating to the Spin-off of the Company.

**(i) Resolution regarding the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China Gezhouba Group Stock Company Limited, a Subsidiary of the Company**

In order to strengthen and optimize the advantageous business of civil explosives, enhance the control of the Company's engineering service industrial chain as an important step, fully exert the advantages of integration, cost and intrinsic safety, enhance the core competitiveness of the principal engineering business and strengthen the overall capability of the Company to serve the national infrastructure, China Gezhouba Group Stock Company Limited\* (中國葛洲壩集團股份有限公司), a subsidiary of the Company, proposes to spin off its subsidiary China Gezhouba Group Explosive Co., Ltd.\* (中國葛洲壩集團易普力股份有限公司) for reorganization and listing, and CGGC and Gezhouba Explosive propose to enter into relevant transaction agreement.

The above resolution has been considered and approved by the Board and is hereby submitted to the EGM for consideration and approval by the Shareholders.

**(ii) Resolution regarding the Compliance of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. with the Requirements of Relevant Laws and Regulations**

In accordance with the requirements of the Company Law, the Securities Law, Provisions on the Spin-off, Administrative Measures for the Major Asset Restructuring of Listed Companies and other laws, regulations and regulatory documents, after detailed analysis of the actual situation of the Company and relevant matters by professional institution engaged by the Company, the Company is of the view that the Spin-off and Listing complies with the requirements of relevant laws, regulations and regulatory documents.

The above resolution has been considered and approved by the Board and is hereby submitted to the EGM for consideration and approval by the Shareholders.

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## LETTER FROM THE BOARD

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**(iii) Resolution regarding the Plan for Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd.**

The Company intends to spin off its subsidiary Gezhouba Explosive for reorganization and listing. Nanling Industry Explosive intends to acquire 668,793,726 shares of Gezhouba Explosive (representing approximately 95.54% of the total share capital of Gezhouba Explosive) held by CGGC, Pangang Mining and the 23 Natural Persons, all being shareholders of Gezhouba Explosive, by way of issuing shares to them, and to raise relevant funds through non-public issuance of shares to no more than 35 specific investors, thereby realizing the spin-off of Gezhouba Explosive by the Company for reorganization and listing. The plan includes the issuance of shares for assets acquisition and the issuance of shares to raise relevant funds. The funds to be raised shall be conditional upon the successful implementation of the issuance of shares for assets acquisition. However, whether the funds shall be raised successfully or sufficiently or not will not affect the implementation of the Issuance of Shares for Assets Acquisition. Upon the completion of the Spin-off and Listing, Gezhouba Explosive will become a subsidiary of Nanling Industry Explosive, CGGC will become the controlling shareholder of Nanling Industry Explosive, and the Company will become the indirect controlling shareholder of Nanling Industry Explosive.

**(I) Issuance of Shares for Assets Acquisition**

*1. Type of shares to be issued and par value per share*

The type of shares to be issued under the Issuance of Shares for Assets Acquisition is domestic RMB ordinary shares (A shares) with a par value of RMB1.00 per share.

*2. Target subscribers and method of issue*

The Issuance of Shares for Assets Acquisition adopts the non-public issuance of shares to specific targets. The target subscribers are CGGC, Pangang Mining and the 23 Natural Persons, all being shareholders of Gezhouba Explosive.

*3. Pricing base date and issue price of the issuance of shares*

Pursuant to Article 45 of the Administrative Measures for the Major Asset Restructuring of Listed Companies, the issue price of the shares of Nanling Industry Explosive shall not be less than 90% of the market reference price. The market reference price shall be one of the average trading prices of the shares of the Company over the 20 trading days, 60 trading days or 120 trading days preceding the announcement date of the Board resolution on the Issuance of Shares for Assets Acquisition. The average trading price of the shares of the Company for certain number of trading days preceding the pricing base date = the total trading amount of the shares of the Company for certain number of trading days preceding the pricing base date / the total trading volume of the shares of the Company for certain number of trading days preceding the pricing base date.

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## LETTER FROM THE BOARD

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The pricing base date for the Issuance of Shares for Assets Acquisition is the announcement date of the resolutions of the twenty-third meeting of the six session of the board of directors of Nanling Industry Explosive, i.e. 3 November 2021. Details of the average trading prices of the shares of Nanling Industry Explosive over the 20 trading days, 60 trading days or 120 trading days preceding the pricing base date are shown in the table below:

No.	Type of average transaction price	Average trading price (RMB/share)	90% of the average trading price (RMB/share)
1	20 trading days preceding the pricing base date	8.66	7.80
2	60 trading days preceding the pricing base date	8.23	7.41
3	120 trading days preceding the pricing base date	7.97	7.18

After friendly negotiation among the parties to the Transaction, the issue price of shares under the Issuance of Shares for Assets Acquisition is determined to be RMB7.18 per share, which is not less than 90% of the average trading price of the shares of Nanling Industry Explosive in the 120 trading days before the pricing base date.

In case of any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the period from the pricing base date to the issuance date, the above issue price shall be adjusted accordingly in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange. The adjustment formula for the issue price is as follows:

Distribution of share dividend or conversion of capital reserve into share capital:  $P1 = P0/(1+n)$ ;

Rights issue:  $P1 = (P0+A \times k)/(1+k)$ ;

Where the two events above occur concurrently:  $P1 = (P0+A \times k)/(1+n+k)$ ;

Distribution of cash dividend:  $P1 = P0-D$ ;

Where the three events above occur concurrently:  $P1 = (P0-D+A \times k)/(1+n+k)$ .

Wherein: P0 represents the effective issue price before adjustment; n represents the ratio of share dividend or conversion into share capital; k represents the ratio of the rights issue; A represents the price of the rights issue; D represents the cash dividend payable per share; and P1 represents the effective issue price after adjustment.

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## LETTER FROM THE BOARD

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Nanling Industry Explosive implemented the 2021 profit distribution plan on 13 July 2022, and distributed RMB0.30 (tax inclusive) in cash to all shareholders for every 10 shares based on the total share capital of 380,178,200 shares. The issue price of shares under the Issuance of Shares for Assets Acquisition was adjusted to RMB7.15 per share. The final issue price is subject to the consideration and approval at the general meeting of Nanling Industry Explosive and the approval of the CSRC.

#### 4. *Number of shares to be issued*

According to the Asset Valuation Report issued by the Valuer and filed with competent state-owned assets supervision and administration authority, taking 31 October 2021 as the valuation base date, the appraisal value of 100% of shares of Gezhouba Explosive is RMB5,877,728.7 thousand). Taking into account the cash dividends of RMB250.00 million announced to be distributed by Gezhouba Explosive after the valuation base date, the calculation formula of transaction consideration of equity in Gezhouba Explosive is: (the appraisal value of 100% of shares of Gezhouba Explosive filed with the competent state-owned assets supervision and administration department – the cash dividends to be distributed by Gezhouba Explosive after the valuation base date)\* the percentage of shares of Gezhouba Explosive held by the Counterparties to the Transaction. Based on the above appraisal results filed with the SASAC, the transaction consideration of 95.54% of shares in Gezhouba Explosive is determined at RMB5,376,842.4 thousand.

The Consideration of the Transaction shall be paid by the issuance of shares. Based on the issue price of shares of RMB7.15 per share under the Issuance of Shares for Assets Acquisition, the number of shares to be issued by Nanling Industry Explosive for acquisition of 95.54% of the shares of Gezhouba Explosive is 752,005,914 shares. Nanling Industry Explosive shall pay a consideration of RMB3,846,929.9 thousand to CGGC, and shall issue 538,032,152 shares to CGGC. The final number of shares to be issued is subject to the number approved by the CSRC.

In case of any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the period from the pricing base date to the issuance date, the issue price shall be adjusted accordingly in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange, and the above number of shares to be issued shall be also adjusted accordingly.

#### 5. *Place of listing of the issue shares*

The shares to be issued for the Issuance of Shares for Assets Acquisition are planned to be listed on the Shenzhen Stock Exchange.

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## LETTER FROM THE BOARD

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6. *Lock-up period arrangement*

The Counterparties to the Transaction, Nanling Chemical Group, the controlling shareholder of Nanling Industry Explosive, and its person acting in concert Shenfu Investment made the following commitments regarding the lock-up period arrangement for the Issuance of Shares for Assets Acquisition:

**1. CGGC, the controlling shareholder of Gezhouba Explosive, has committed that:**

The shares of Nanling Industry Explosive acquired through the Transaction by CGGC shall not be transferred within 36 months from the date of the listing of the shares under the issuance (transfers between different entities controlled by the same actual controller are not subject to the restrictions of lock-up period of the shares). At the expiration of the aforementioned lock-up period, if CGGC shall perform share-based compensation obligations to Nanling Industry Explosive and such share-based compensation obligations have not been fulfilled, the lock-up period for the shares of Nanling Industry Explosive acquired by CGGC through the Transaction shall be extended to the date of fulfilment of the aforementioned compensation obligations.

Within 6 months upon completion of the Transaction, if the closing price of the shares of Nanling Industry Explosive for 20 consecutive trading days is lower than the issue price, or if the closing price at the end of the 6-month period upon completion of the Transaction is lower than the issue price, the lock-up period for the consideration shares held by CGGC will be automatically extended for 6 months (in case of any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the above-mentioned periods, the above issue price shall be calculated based on the price adjusted for ex-dividend and ex-right).

Upon the completion of the Transaction, as for the consideration shares held by CGGC, the newly-added shares from distribution of stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive shall also comply with the aforementioned lock-up period agreement.

If the aforesaid lock-up period is not consistent with the latest regulatory advice issued by the security regulatory authorities, CGGC shall make corresponding adjustments pursuant to the latest regulatory advice issued by the relevant security regulatory authorities. After the expiration of the aforesaid lock-up period, it will be implemented in accordance with the relevant provisions of the CSRC and the Shenzhen Stock Exchange.

In the event that the Transaction is filed for investigation by the judicial authorities or the CSRC due to the false information, misleading statement or material omission contained in the information provided or disclosed, CGGC shall not transfer the shares held in Nanling Industry Explosive before the conclusion of the case

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## LETTER FROM THE BOARD

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investigation is clear, and shall, within two trading days of receiving the notice of filing, submit a written application for suspension of the transfer and the stock account to the board of directors of Nanling Industry Explosive, the board of directors of Nanling Industry Explosive shall apply to the stock exchanges and the depository and clearing companies for lock-up on behalf of CGGC. If the lock-up application is not submitted within two trading days, the board of directors of Nanling Industry Explosive is authorized to directly submit the identity information and account information of CGGC to the stock exchanges and the depository and clearing companies to apply for lock-up after verification. If the board of directors of Nanling Industry Explosive fails to submit the identity information and account information of CGGC to the stock exchanges and the depository and clearing companies, the stock exchanges and the depository and clearing companies are authorized to directly lock-up the relevant shares. If the investigation concludes that there are violations of laws and regulations, CGGC undertakes to lock-up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.

If CGGC is cancelled before the completion of the Transaction or within the promised lock-up period of the shares mentioned above, CGGC Group will continue to fulfill the promise of the lock-up period.

**2. Zhao Yucheng and Wu Chunhua, shareholders of Gezhouba Explosive, have committed that:**

If he/she has continuously had rights and interests in the assets used to subscribe for the shares for less than 12 months as at the date of acquisition of the shares issued, he/she would promise that the shares acquired through the Transaction shall not be transferred within 36 months from the date of the listing of the shares under the issuance; if he/she has continuously had rights and interests in the assets used to subscribe for the shares for more than 12 months (inclusive) as at the date of acquisition of the shares issued, he/she would promise that the shares acquired through the Transaction shall not be transferred within 24 months from the date of the listing of the shares under the issuance (transfers between different entities controlled by the same actual controller are not subject to the restrictions of lock-up period of the shares). When the aforementioned lock-up period expires, if he/she is required to perform share-based compensation obligations to Nanling Industry Explosive and such share-based compensation obligations have not been fulfilled, the lock-up period for the shares of Nanling Industry Explosive he/she acquired through the Transaction shall be extended to the date of fulfilment of the aforementioned compensation obligations.

Within 6 months upon completion of the Transaction, if the closing price of the shares of Nanling Industry Explosive for 20 consecutive trading days is lower than the issue price, or if the closing price at the end of the 6-month period upon completion of the Transaction is lower than the issue price, the lock-up period for the consideration shares held by him/her will be automatically extended for 6 months (in case of any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends,

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## LETTER FROM THE BOARD

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capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the above-mentioned periods, the above issue price shall be calculated based on the price adjusted for ex-dividend and ex-right).

Upon the completion of the Transaction, as for the consideration shares held by him/her, the newly-added shares from distribution of stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive shall also comply with the aforementioned lock-up period agreement.

If the aforesaid lock-up period is not consistent with the latest regulatory advice issued by the security regulatory authorities, he/she shall make corresponding adjustments pursuant to the latest regulatory advice issued by the relevant security regulatory authorities. After the expiration of the aforesaid lock-up period, it will be implemented in accordance with the relevant provisions of the CSRC and the Shenzhen Stock Exchange.

In the event that the Transaction is filed for investigation by the judicial authorities or the CSRC due to the false information, misleading statement or material omission contained in the information provided or disclosed, he/she shall not transfer the shares held in Nanling Industry Explosive before the conclusion of the case investigation is clear, and shall, within two trading days of receiving the notice of filing, submit a written application for suspension of the transfer and the stock account to the board of directors of Nanling Industry Explosive, the board of directors of Nanling Industry Explosive shall apply to the stock exchanges and the depository and clearing companies for lock-up on his/her behalf. If the lock-up application is not submitted within two trading days, the board of directors of Nanling Industry Explosive is authorized to directly submit his/her identity information and account information to the stock exchanges and the depository and clearing companies to apply for lock-up after verification. If the board of directors of Nanling Industry Explosive fails to submit his/her identity information and account information to the stock exchanges and the depository and clearing companies, the stock exchanges and the depository and clearing companies are authorized to directly lock up the relevant shares. If the investigation concludes that there are violations of laws and regulations, he/she undertakes to lock up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.

**3. Other counterparties to the Transaction apart from the abovementioned have committed that:**

The shares of Nanling Industry Explosive acquired by him/her through the Transaction shall not be transferred within 24 months from the date of the listing of the shares under the issuance (transfers between different entities controlled by the same actual controller are not subject to the restrictions of lock-up period of the shares). When the aforementioned lock-up period expires, if he/she is required to perform share-based compensation obligations to Nanling Industry Explosive and such share-based

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## LETTER FROM THE BOARD

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compensation obligations have not been fulfilled, the lock-up period for the shares of Nanling Industry Explosive he/she acquired through the Transaction shall be extended to the date of fulfilment of the aforementioned compensation obligations.

Within 6 months upon completion of the Transaction, if the closing price of the shares of Nanling Industry Explosive for 20 consecutive trading days is lower than the issue price, or if the closing price at the end of the 6-month period upon completion of the Transaction is lower than the issue price, the lock-up period for the consideration shares held by him/her will be automatically extended for 6 months (in case of any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the above-mentioned periods, the above issue price shall be calculated based on the price adjusted for ex-dividend and ex-right).

Upon the completion of the Transaction, as for the consideration shares held by him/her, the newly-added shares from distribution of stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive shall also comply with the aforementioned lock-up period agreement.

If the aforesaid lock-up period is not consistent with the latest regulatory advice issued by the security regulatory authorities, he/she shall make corresponding adjustments pursuant to the latest regulatory advice issued by the relevant security regulatory authorities. After the expiration of the aforesaid lock-up period, it will be implemented in accordance with the relevant provisions of the CSRC and the Shenzhen Stock Exchange.

In the event that the Transaction is filed for investigation by the judicial authorities or the CSRC due to the false information, misleading statement or material omission contained in the information provided or disclosed, he/she shall not transfer the shares held in Nanling Industry Explosive before the conclusion of the case investigation is clear, and shall, within two trading days of receiving the notice of filing, submit a written application for suspension of the transfer and the stock account to the board of directors of Nanling Industry Explosive, the board of directors of Nanling Industry Explosive shall apply to the stock exchanges and the depository and clearing companies for lock-up on his/her behalf. If the lock-up application is not submitted within two trading days, the board of directors of Nanling Industry Explosive is authorized to directly submit his/her identity information and account information to the stock exchanges and the depository and clearing companies to apply for lock-up after verification. If the board of directors of Nanling Industry Explosive fails to submit his/her identity information and account information to the stock exchanges and the depository and clearing companies, the stock exchanges and the depository and clearing companies are authorized to directly lock up the relevant shares. If the investigation concludes that there are violations of laws and regulations, he/she undertakes to lock up the shares and use them for the compensation arrangements for relevant investors on a voluntary basis.

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**4. Nanling Chemical Group, the controlling shareholder of Nanling Industry Explosive, and its person acting in concert Shenfu Investment have committed that:**

The shares of Nanling Industry Explosive held by it prior to the Transaction shall not be transferred within 36 months from the date of the listing of the shares to be issued under the Transaction. Provided that the Transaction is terminated or unable to be implemented, the aforementioned lock-up commitment shall be released since the date when the Transaction is terminated or determined not to be implemented;

The newly-added shares from distribution of stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the aforementioned lock-up period shall also comply with the aforementioned lock-up period agreement.

If the aforesaid lock-up period is not consistent with the latest regulatory advice issued by the security regulatory authorities, it shall make corresponding adjustments pursuant to the latest regulatory advice issued by the relevant security regulatory authorities. After the expiration of the aforesaid lock-up period, it will be implemented in accordance with the relevant provisions of the CSRC and the Shenzhen Stock Exchange.

*7. Arrangement for profit or loss for the period*

Upon the completion of the Transaction, the profit attributable to 95.54% of shares of Gezhouba Explosive for the period from the valuation base date to the Closing Date shall be vested in Nanling Industry Explosive. The loss attributable to 95.54% of the shares of Gezhouba Explosive for the period from the valuation base date to the Closing Date shall be made up by the Counterparties to the Transaction to Gezhouba Explosive in cash according to the proportion of the shares of Gezhouba Explosive held by them before the Transaction.

*8. Arrangement for accumulated undistributed profit*

The accumulated undistributed profit of Nanling Industry Explosive before the Transaction shall be jointly enjoyed by the new and existing shareholders of Nanling Industry Explosive after the completion of the Transaction in proportion to their respective shareholdings.

**(II) Share Issuance for Fund Raising**

*1. Type of shares to be issued and par value per share*

The type of shares to be issued under the Fund Raising is domestic listed RMB ordinary shares (A shares) with a par value of RMB1.00 per share.

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### 2. *Target subscribers and method of issue*

Nanling Industry Explosive intends to raise relevant funds through non-public issuance of shares to no more than 35 specific investors by way of inquiry. Specific investors include specific targets such as securities investment and fund management companies, securities companies, financial companies, asset management companies, insurance institutional investors, other domestic legal person investors and natural persons in compliance with requirements of laws and regulations. A securities investment and fund management company, securities company, qualified foreign institutional investor or RMB qualified foreign institutional investor subscribing through two or more funds under its management shall be deemed as one single target subscriber. A trust investment company, as a target subscriber, can only subscribe with its self-owned funds. All of the above specific investors shall subscribe for the shares issued for the Fund Raising in cash. In the event of any new provisions in respect of the target subscribers of the Fund Raising promulgated by the CSRC, the Shenzhen Stock Exchange and other regulatory agencies, Nanling Industry Explosive will make corresponding adjustments in accordance with the new provisions of regulatory authorities.

### 3. *Pricing base date and issue price of the issuance of shares*

The Share Issuance for Fund Raising adopts the method of inquiry issuance. Pursuant to the relevant provisions of the Administration Measures on Securities Issuance of Listed Companies and other laws and regulations, the pricing base date of the Share Issuance for Fund Raising shall be the first day of issuance period for the Fund Raising, and the issue price shall not be less than 80% of the average trading price of the shares of Nanling Industry Explosive for 20 trading days before the first day of issuance period.

After the Transaction is approved by the CSRC, the final issue price of the Fund Raising shall be determined by the board of directors of Nanling Industry Explosive and the lead underwriter of the Fund Raising through negotiation under the authorization of the general meeting based on the inquiry results and in accordance with the provisions of relevant laws and regulations.

In case of any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the period from the pricing base date to the issuance date, the issue price of the Fund Raising shall be adjusted accordingly in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

### 4. *Number of shares to be issued and total relevant funds raised*

The total amount of the Fund Raising shall not exceed RMB1,339.00 million, no more than 100% of the transaction price of the Issuance of Shares for Assets Acquisition by Nanling Industry Explosive, and the number of shares to be issued shall not exceed 30% of the total share capital of Nanling Industry Explosive prior to the Transaction. After the Transaction is

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approved by the CSRC, the final number of shares to be issued shall be finalized based on the inquiry results and in accordance with the relevant provisions of the Administration Measures on Securities Issuance of Listed Companies and other laws and regulations.

In case of any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares occurred by Nanling Industry Explosive during the period from the pricing base date to the issuance date, the number of shares to be issued under the Share Issuance for Fund Raising shall be adjusted accordingly in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

5. *Place of listing*

The shares to be issued for the Fund Raising are proposed to be listed on the Shenzhen Stock Exchange.

6. *Lock-up period arrangement*

The shares of Nanling Industry Explosive acquired by the subscribers under the Share Issuance for Fund Raising shall not be transferred within 6 months from the date of completion of issuance of shares. After the completion of the issuance, as for the shares of Nanling Industry Explosive acquired by the subscribers under the Share Issuance for Fund Raising, the newly-added shares from distribution of stock dividends, capital reserve converted into share capital and allotment of shares by Nanling Industry Explosive shall also comply with the aforementioned lock-up period agreement. Upon the expiration of the aforementioned lock-up period agreement, the share transfer and transaction shall be implemented in accordance with the prevailing laws and regulations as well as rules of the Shenzhen Stock Exchange in force.

If the aforesaid lock-up period arrangement is not consistent with the latest regulatory advice issued by the security regulatory authorities, it shall make corresponding adjustments pursuant to the latest regulatory advice issued by the relevant security regulatory authorities.

7. *Use of proceeds from the Fund Raising*

It is intended that the proceeds from the Share Issuance for Fund Raising, after deducting the issuance expenses, will be used to replenish the liquidities of Nanling Industry Explosive and Gezhouba Explosive and repay debts. Before the proceeds from the Share Issuance for Fund Raising are in place, Nanling Industry Explosive could make the payment with self-raised funds in advance based on the actual situation, and then replace the payment after the funds raised are in place.

The above-mentioned arrangement for the Fund Raising shall be adjusted accordingly by Nanling Industry Explosive in accordance with the latest regulatory opinions of the security regulatory authorities in the event of inconsistency with the latest regulatory opinions of the relevant security regulatory authorities.

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The above resolution has been considered and approved by the Board and is hereby submitted to the EGM for consideration and approval by the Shareholders.

**(iv) Resolution regarding the Proposal regarding the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China Energy Engineering Corporation Limited (2nd Revised Draft)**

For the purpose of the Spin-off, the Company prepared the Proposal for the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China Energy Engineering Corporation Limited (2nd Revised Draft) in accordance with the Securities Law, Provisions on the Spin-off and other laws, regulations and regulatory documents, for details of which please refer to the Proposal for the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China Energy Engineering Corporation Limited (2nd Revised Draft) disclosed on the website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and overseas regulatory announcement simultaneously disclosed on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) in due course.

The above resolution has been considered and approved by the Board and hereby submitted to the EGM for consideration and approval by the Shareholders.

**(v) Resolution regarding the Compliance of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. with the Provisions on the Spin-off of Listed Companies (Trial)**

The Spin-off and Listing comply with the relevant requirements of domestic listing of spin-off subsidiaries of listed companies under the Provisions on the Spin-off and is feasible. The details are as follows:

I. The shares of the listed company have been listed in the PRC for over three years

The immediate controlling shareholder of Gezhouba Explosive, the subsidiary to be proposed for the Spin-off, is China Gezhouba Group Stock Company Limited\* (中國葛洲壩集團股份有限公司) (“CGGC”), whose share have been listed on the Shanghai Stock Exchange since 1997, which complies with the requirements of “(1) the shares of the listed company have been listed in the PRC for over three years” under Rule 3 of the Provisions on the Spin-off. The Company inherited the listing status of A shares of CGGC through absorption and merger of CGGC for listing on the Shanghai Stock Exchange on 28 September 2021.

Thus, the Spin-off complies with the requirements of “the shares of the listed company have been listed in the PRC for over three years”.

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- II. The listed company has been profitable consecutively in the last three accounting years

According to the Auditor's Report (KPMG Huazhen Shen Zi No. 2102018) and the Auditor's Report (KPMG Huazhen Shen Zi No. 2204171) issued by KPMG Huazhen LLP, the net profit of the Company attributable to the parent (net profit referred in the proposal is calculated based on the amount before or after deducting the non-recurring profit and loss, which is the lower) in 2019, 2020 and 2021 were RMB3,717,259 thousand, RMB3,683,494 thousand and RMB5,071,829 thousand, which meet the requirements of being profitable consecutively in the last three accounting years.

According to the Auditor's Report (Zhongxinghua Shen Zi (2020) No. 040006) and the Audit Report (Zhongxinghua Shen Zi (2021) No. 040006) and the Auditor's Report (Zhongxinghua Shen Zi (2022) No. 040006) issued by Zhongxinghua Certified Public Accountants LLP, the net profit of CGGC attributable to the parent in 2019, 2020 and 2021 were RMB3,328,869.7 thousand, RMB3,764,140.0 thousand and RMB4,706,382.7 thousand, which meet the requirements of being profitable consecutively in the last three accounting years.

Therefore, both the Company and CGGC meet this requirement.

- III. The cumulative net profit attributable to shareholders of the listed company in the last three accounting years shall not be less than RMB600 million after deducting the net profit of the proposed spin-off subsidiary according to its equity

According to the Pro Forma Auditor's Report on China Gezhouba Group Explosive Co., Ltd.\* (中國葛洲壩集團易普力股份有限公司) (Baker Tilly Ye Zi [2022]) No. 28890) issued by Baker Tilly China Certified Public Accountants LLP, the net profit of Gezhouba Explosive attributable to the shareholders of the parent was RMB274 million, RMB496 million and RMB475 million in 2019, 2020 and 2021, respectively.

Before the absorption and merger of CGGC through share swap by the Company, CGGC was an A-share listed company. Prior to the completion of the share swap as of September 2021, the Company indirectly held 42.84% equity interests in CGGC, and CGGC held 68.36% equity interests in Gezhouba Explosive; after the completion of the share swap, the Company indirectly holds 68.36% equity interests in Gezhouba Explosive. Based on prudence considerations, the shareholding percentage of the Company and CGGC in Gezhouba Explosive is calculated as 68.36%. After deducting the net profit of Gezhouba Explosive attributable to the Company according to its equity in the most recent three accounting years, the accumulated net profit attributable to the shareholders of the parent was RMB11,621 million. After deducting the net profit of Gezhouba Explosive attributable to CGGC according to its equity, the accumulated net profit of CGGC attributable to shareholders of the parent in the most recent three accounting years was RMB10,937 million. In conclusion, both the Company and CGGC meet this requirement.

- IV. In the consolidated statements of the listed company for the last accounting year, the net profit of the proposed spin-off subsidiary that the listed company is entitled to according to its equity shall not exceed 50% of the net profit attributable to shareholders of the listed company; in the

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consolidated statements of the listed company for the last accounting year, the net assets of the proposed spin-off subsidiary that the listed company is entitled to according to its equity shall not exceed 30% of the net assets attributable to shareholders of the listed company

Before the absorption and merger of CGGC through share swap by the Company, CGGC was an A-share listed company. Prior to the completion of the share swap as of September 2021, the Company indirectly held 42.84% equity interests in CGGC, and CGGC held 68.36% equity interests in Gezhouba Explosive; after the completion of the share swap, the Company indirectly holds 68.36% equity interests in Gezhouba Explosive. Based on prudence considerations, the shareholding percentage of the Company and CGGC in Gezhouba Explosive is calculated as 68.36%.

In the consolidated statements of the Company for the last accounting year (2021), the net profit of Gezhouba Explosive that the Company is entitled to according to its equity represented 6.41% of the net profit attributable to shareholders of the parent, which did not exceed 50% of the net profit attributable to shareholders of the parent; in the consolidated statements of the Company for the last accounting year (2021), the net assets of Gezhouba Explosive that the Company is entitled to according to its equity represented 1.53% of the net assets attributable to shareholders of the parent, which did not exceed 30% of the net assets attributable to shareholders of the parent.

In the consolidated statements of CGGC for the last accounting year (2021), the net profit of Gezhouba Explosive that CGGC is entitled to according to its equity represented 6.90% of the net profit attributable to shareholders of the parent, which did not exceed 50% of the net profit attributable to shareholders of the parent; in the consolidated statements of CGGC for the last accounting year (2021), the net assets of Gezhouba Explosive that CGGC is entitled to according to its equity represented 2.20% of the net assets attributable to shareholders of the parent, which did not exceed 30% of the net assets attributable to shareholders of the parent. In conclusion, both the Company and CGGC meet this requirement.

V. A listed company may not be spun off if one of the following circumstances exists: ① the funds or assets are embezzled by the controlling shareholders, actual controllers or their related parties or listed company's interests are materially prejudiced by its controlling shareholders, actual controllers and their related parties; ② the listed company or its controlling shareholders or actual controllers have received administrative penalty from the China Securities Regulatory Commission in the last 36 months; ③ the listed company or its controlling shareholders or actual controllers have been publicly reprimanded by the stock exchange in the last 12 months; ④ the financial accounting reports of the listed company for the last year or period were issued by certified public accountants in an audit report with a qualified, an adverse opinion or an unexpressed opinion; ⑤ the aggregate shares of the proposed spin-off subsidiary held by the directors, senior management personnel of the listed company and their related parties exceed 10% of the total share capital of the subsidiary before the spin-off and listing, except for the indirect ownership by directors, senior management personnel and their related parties through the listed company

There is no existence of funds or assets of the Company and CGGC which are embezzled by the controlling shareholders, actual controllers or their related parties or interests which are materially prejudiced by its controlling shareholders, actual controllers and their related parties; none of the

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Company and CGGC or their respective controlling shareholders or actual controllers have received administrative penalty from the CSRC in the last 36 months; none of the Company and CGGC or their respective controlling shareholders or actual controllers have been publicly reprimanded by the stock exchange in the last 12 months; none of the financial accounting reports of the Company and CGGC for the last year were issued by certified public accountants in an auditor's report with a qualified opinion, an adverse opinion or an unexpressed opinion, the Auditor's Report (KPMG Huazhen Shen Zi No. 2204171) on the Company's financial statements in 2021 was with unqualified opinions issued by KPMG Huazhen LLP was the one with unqualified opinions, and the Audit Report (Zhongxinghua Shen Zi (2022) No. 040006) on CGGC's financial statements in 2021 issued by Zhongxinghua Certified Public Accountants LLP was the one with unqualified opinions; and there is no existence of the shares of Gezhouba Explosive held by the directors, senior managements of the Company and CGGC and their respective related parties.

In conclusion, the Spin-off meets this requirement.

- VI. If one of the following circumstances exists in a subsidiary of a listed company, the listed company may not be spun off: ① the principal businesses or assets are invested with the proceeds of the listed company from its share issuance and fund raising in the last three accounting years, unless the total amount of raised fund used by such subsidiary in the last three accounting years does not exceed 10% of its net assets; ② the principal businesses or assets are purchased by the listed company through major asset restructuring in the last three accounting years; ③ the principal businesses or assets are the principal business and assets of the listed company at the time of its initial public offering and listing; ④ mainly engaged in financial business; ⑤ the aggregate shares of the proposed spin-off subsidiary held by the directors, senior management personnel and their related parties exceed 30% of the total share capital of the subsidiary before the spin-off and listing, except for the indirect ownership held by directors, senior management personnel and their related parties through the listed company

Before the absorption and merger of CGGC through share swap by the Company, Gezhouba Explosive was a holding subsidiary of CGGC which held 68.36% of shares of Gezhouba Explosive. CGGC Group is the controlling shareholder of CGGC and holds 42.84% of shares of CGGC, and the Company holds 100% of shares of CGGC Group. Thus, before and after the absorption and merger through share swap, Gezhouba Explosive was/is the subsidiary of the Company on consolidated basis. Apart from the absorption and merger through share swap, there is no circumstances of other major asset restructuring of the Company and CGGC. On basis of the foregoing, the Company and CGGC had no businesses or assets which were invested with the proceeds from share issuance and fund raising in the last three accounting years, and there was no existence of businesses or assets acquired from major asset restructuring as the principal businesses and assets of Gezhouba Explosive in the most recent three accounting years. Gezhouba Explosive is not the businesses or assets of the Company acquired through major asset restructuring.

CGGC was listed on 5 May 1997, and mainly engaged in contracting of various water conservancy and hydropower projects, cement production and sales. The Company was listed on the Shanghai Stock Exchange through absorption and merger with CGGC on 28 September 2021, and its main businesses include five major segments, namely survey, design and consulting, construction and contracting, industrial manufacturing, investment operation and others. In particular, the survey,

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design and consulting, construction and contracting segments are mainly construction business; the industrial manufacturing segment is mainly cement production, civil explosives, equipment manufacturing businesses; the investment and operation segments mainly include new energy and integrated smart energy, traditional energy, water conservancy and water affairs, environmental protection business, integrated transportation, capital and finance, and other segments include software and information services, logistics trade, leasing and business services. Gezhouba Explosive was established on 18 March 1998, and principally engaged in the research and development, production and sales of civil explosives, engineering blasting integration. Its principal businesses or assets are neither the principal businesses or assets of CGGC when listing under initial public offering and the Company when listing on the Shanghai Stock Exchange through absorption and merger with CGGC, nor is it a company mainly engaged in finance business.

The total shares of Gezhouba Explosive held by the directors, senior managements and related parties of Gezhouba Explosive accounted 1.53%, not exceeding 30% of the total share capital of Gezhouba Explosive before the Spin-off. Details are as follows:

<b>Name of shareholder</b>	<b>Title/Relationship with directors and senior management</b>	<b>Number of shares held (share)</b>	<b>Shareholding percentage</b>
Fu Jun	chairman	3,640,736	0.52%
Deng Xiaoying	director, senior management	1,560,314	0.22%
Cai Feng	senior management	1,560,314	0.22%
Li Mingsong	senior management	966,529	0.14%
Feng Hui	senior management	966,529	0.14%
Peng Sendbin	senior management	568,191	0.08%
Zhou Guisong	senior management	564,820	0.08%
Zhang Rui	senior management	284,643	0.04%
Lu Li	senior management	299,400	0.04%
Lu Jun	senior management	317,840	0.05%
<b>Total</b>		<b>10,729,316</b>	<b>1.53%</b>

In conclusion, Gezhouba Explosive meets this requirement.

- VII. The listed company shall fully explain and disclose with respect to the following matters: ① The Spin-off is beneficial to the listed company to highlight its principal business and enhance its independence; ② after the Spin-off, both the listed company and the proposed Spin-off subsidiary are in compliance with the regulatory requirements for horizontal competition and related party transactions of the CSRC and the stock exchange; there is no horizontal competition between the listed company and the proposed Spin-off subsidiary that will be listed overseas after the Spin-off and listing; ③ after the Spin-off, the listed company and proposed Spin-off subsidiary are independent of each other in terms of assets, financial and institutional aspects. There is no cross appointment of senior management and financial personnel; ④ after the Spin-off, there are no other serious deficiencies in terms of independence between the listed company and proposed Spin-off subsidiary

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- (I) The Spin-off is beneficial to the listed company to highlight its principal business and enhance its independence

The Company's main business consists of five segments, including survey, design and consulting, construction and contracting, industrial manufacturing, investment and operation, and others. Gezhouba Explosive is mainly engaged in the research and development, production, sales of civilian explosives, and engineering blasting integration.

After the Spin-off, the Company and its subsidiaries (except Nanling Industry Explosive and subsidiaries of Nanling Industry Explosive, including Gezhouba Explosive) will continue to focus on the development of businesses other than the research and development, production, sales of civilian explosives, and engineering blasting integration, and will highlight the Company's main business advantages, and further enhance the Company's independence.

- (II) After the Spin-off, the listed company and its subsidiaries to be Spin-off both will meet the regulatory requirements of the CSRC and the stock exchanges on horizontal competition and related party transactions

### ***1. Horizontal competition***

The Company's main business consists of five segments, including survey, design and consulting, construction and contracting, industrial manufacturing, investment and operation, and others. Among them, Gezhouba Explosive is mainly engaged in the research and development, production, sales of civilian explosives, and engineering blasting integration. After the completion of the Spin-off, Gezhouba Explosive will become the holding subsidiary of Nanling Industry Explosive, the direct controlling shareholder of Nanling Industry Explosive will change to Gezhouba, and the indirect controlling shareholders will be CGGC Group, the Company, and China Energy Engineering Group Co., Ltd. ("Energy China Group").

Within the consolidated statement scope of the controlling shareholder, Gezhouba Explosive is the only company among the holding subsidiaries of Energy China Group that has the production license for civilian explosives and the corresponding approved production capacity. None of the other companies controlled by the controlling shareholder has the production license or production capacity for civilian explosives. Therefore, there is no horizontal competition between Gezhouba Explosive and the controlling shareholder in the field of civilian explosives production.

Within the consolidated statement scope of the controlling shareholder, subsidiaries of Energy China Group, including CGGC, China Gezhouba Group No. 1 Engineering Co., Ltd.\* (中國葛洲壩集團第一工程有限公司), China Gezhouba Group No. 2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限公司), China Gezhouba Group No.3 Engineering Co., Ltd. (中國葛洲壩集團第三工程有限公司), China Gezhouba Group Road & Bridge Co., Ltd. (中國葛洲壩集團路橋工程有限公司), China Gezhouba Group Three Gorges Construction Engineering Co., Ltd. (中國葛洲壩集團三峽建設工程有限公司), China Gezhouba Group Municipal Engineering Co., Ltd.\* (中國葛洲壩集團市政工程有限公司), China Gezhouba Group Electric Power Co., Ltd.(中國葛洲壩集團電力有限責任公司), Gezhouba Wuhan Road Materials Co., Ltd. (葛洲壩武漢道路材料有限公司), Gezhouba Xinjiang Engineering Bureau (Co., Ltd.) (葛洲壩新疆工程局 (有限公司)), Guangxi Water Conservancy and

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Hydropower Engineering Bureau Co., Ltd.\* of China Energy Engineering Group (中國能源建設集團廣西水電工程局有限公司), and CEEC East China Runye Engineering Construction Co., Ltd. (中能建華東潤業工程建設有限公司) (“relevant member companies”) currently hold relevant qualifications for blasting operations and/or general contracting of mining engineering construction, the details are as follows:

No.	Company Name	Business qualifications related to horizontal competition
1	CGGC	General contracting of mining engineering construction – Second level
2	China Gezhouba Group No. 1 Engineering Co., Ltd.* (中國葛洲壩集團第一工程有限公司)	General contracting of mining engineering construction – Second level, Permit of blasting work enterprise (for business) – First level
3	China Gezhouba Group No. 2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限公司)	General contracting of mining engineering construction – Second level, Permit of blasting work enterprise (for business) – First level
4	China Gezhouba Group No.3 Engineering Co., Ltd. (中國葛洲壩集團第三工程有限公司)	General contracting of mining engineering construction – Second level, Permit of blasting work enterprise (for business) – Fourth level
5	China Gezhouba Group Road & Bridge Co., Ltd. (中國葛洲壩集團路橋工程有限公司)	General contracting of mining engineering construction – Second level, Permit of blasting work enterprise (for business) – Fourth level
6	China Gezhouba Group Three Gorges Construction Engineering Co., Ltd. (中國葛洲壩集團三峽建設工程有限公司)	Permit of blasting work enterprise (for business) – Second level
7	China Gezhouba Group Municipal Engineering Co., Ltd.* (中國葛洲壩集團市政工程有限公司)	Permit of blasting work enterprise (for business) – Fourth level
8	China Gezhouba Group Electric Power Co., Ltd.(中國葛洲壩集團電力有限責任公司),	General contracting of mining engineering construction – Third level
9	Gezhouba Wuhan Road Materials Co., Ltd. (葛洲壩武漢道路材料有限公司)	General contracting of mining engineering construction – Third level
10	Gezhouba Xinjiang Engineering Bureau (Co., Ltd.) (葛洲壩新疆工程局 (有限公司))	General contracting of mining engineering construction – Third level

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No.	Company Name	Business qualifications related to horizontal competition
11	Guangxi Water Conservancy and Hydropower Engineering Bureau Co., Ltd.* of China Energy Engineering Group (中國能源建設集團廣西水電工程局有限公司)	General contracting of mining engineering construction – Third level, Permit of blasting work enterprise (for business) – Third level
12	CEEC East China Runye Engineering Construction Co., Ltd. (中能建華東潤業工程建設有限公司)	General contracting of mining engineering construction – Third level

In the past three years, revenue from general contracting of mining engineering construction and blasting operations performed by above relevant member companies accounted for less than 1% of CEEC’s consolidated revenue. Therefore, for the Company as a whole, the importance of general contracting of mining engineering construction and blasting operations is limited.

Comparison with the similar business of Gezhouba Explosive:

In terms of qualifications, Gezhouba Explosive Xinjiang Explosive Engineering Co., Ltd. (葛洲壩易普力新疆爆破工程有限公司), a subsidiary of Gezhouba Explosive, currently holds the first-level qualification for general contracting of mining engineering construction, and the relevant member companies only hold the second-level or third-level qualifications. According to relevant regulations, in terms of the volume, size, quality and other aspects of the projects undertaken, there are big differences between enterprises with second-level and third-level qualifications compared with enterprises with first-level qualifications. Besides, the projects that the relevant member companies have actually participated in the past three years are mainly large-scale overall projects and professional subcontracting of mines unrelated to blasting operations. Therefore, in the field of general contracting of mining engineering construction, the above relevant member companies have no ability to substantially compete with Gezhouba Explosive, which has the first-class qualification.

In terms of the substance of business development, the blasting operations actually carried out by the relevant member companies only involve a small number of supporting blasting steps in the construction projects invested by them or other general contracting projects of construction projects undertaken by them. The number of related businesses accounts for a very low proportion of the main engineering business of the relevant member companies, and they do not have the ability to independently develop blasting engineering business for the market. In addition, in the general contracting project of mining engineering construction, since the relevant member companies do not have the production capacity of on-site mixed explosives, they cannot independently implement the blasting service of the general contracting project of mining engineering construction. Therefore, although the type of business carried out by the relevant member companies is similar to that of Gezhouba Explosive, there is no competitive relationship with Gezhouba Explosive in essence.

Ningxia Tianchang Civil Explosion Equipment Co., Ltd. (寧夏天長民爆器材有限責任公司) (“Tianchang Civil Explosion”) and Liaoyuan Zhuoli Petrochemical Co., Ltd. (遼源卓力化工有限公司) (“Liaoyuan Zhuoli”) involve many asset ownership defects, so they are not qualified to be

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injected into Nanling Industry Explosive. Gezhouba Explosive divested its shares of Tianchang Civil Explosion and Liaoyuan Zhuoli into Gezhouba, of which Liaoyuan Zhuoli has ceased its business activities, and Tianchang Civil Explosion's permitted production capacity is limited to Ningxia area, and there is no regional conflict with licensed production capacity of Gezhouba Explosive. In order to further avoid new horizontal competition problems caused by the divestiture, Gezhouba has entrusted Gezhouba Explosive to manage the shares held by it in Tianchang Civil Explosion and Liaoyuan Zhuoli, and made a commitment that: "The company will entrust Nanling Industry Explosive and/or its actual controlled subsidiaries to manage the equity of Ningxia Tianchang Civil Explosion Equipment Co., Ltd. (寧夏天長民爆器材有限責任公司) and Liaoyuan Zhuoli Petrochemical Co., Ltd. (遼源卓力化工有限公司) held by the company, and deregister and shut down or transfer the equity to Nanling Industry Explosive and/or its actual controlled subsidiaries if appropriate, or a third party who is not related to the company within five years after fulfilling the injection conditions (including but not limited to clear ownership, good regulatory status, and good operating and profitability status), so as to completely eliminate horizontal competition." Therefore, the divestiture of Tianchang Civil Explosion and Liaoyuan Zhuoli will not generate new substantive horizontal competition.

In conclusion, after the Spin-off, there will be no substantial horizontal competition between Energy China Group and companies under its control with Nanling Industry Explosive and companies under its control.

The commitment to avoid horizontal competition issued by CGGC is as follows:

- "1. There is a certain overlap between the mining engineering general contracting business or blasting operation related businesses currently being undertaken by the company and the subsidiaries of the company including China Gezhouba Group No.1 Engineering Co., Ltd. (中國葛洲壩集團第一工程有限責任公司), China Gezhouba Group No.2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限責任公司), China Gezhouba Group Road & Bridge Co., Ltd. (中國葛洲壩集團路橋工程有限責任公司), China Gezhouba Group Three Gorges Construction Engineering Co., Ltd. (中國葛洲壩集團三峽建設工程有限責任公司), China Gezhouba Group Municipal Engineering Co., Ltd. (中國葛洲壩集團市政工程有限責任公司), China Gezhouba Group Electric Power Co., Ltd. (中國葛洲壩集團電力有限責任公司) and Gezhouba Wuhan Road Materials Co., Ltd. (葛洲壩武漢道路材料有限責任公司) (the "Relevant Enterprises") and principal businesses (mine blasting integrated business, blasting business, production and sales of civil explosive equipment) of Nanling Industry Explosive. The company undertakes that Nanling Industry Explosive will be the only platform for the company to implement mining engineering general contracting and blasting operation related businesses in the future.
  - (1) For the existing mining engineering general contracting or blasting operation related business currently being carried out by the company and the relevant subsidiaries of the company, subject to the requirements of laws and regulations, business contracts entered into between Relevant Enterprises and the owner, the company will coordinate Relevant Enterprises to negotiate with the owner within five years from the effective date of this undertaking to hand over relevant business to Nanling Industry Explosive and/or its actually controlled subsidiaries

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for implementation, or comprehensively use entrusted management, asset restructuring, business adjustment and other methods to steadily promote integration of relevant businesses to solve the problem of horizontal competition.

- (2) In addition to the existing businesses, unless Nanling Industry Explosive and its controlled enterprises give up relevant business opportunities, the company and the relevant subsidiaries of the company will cease to undertake any new mining engineering general contracting and blasting operation related businesses.
2. For the equities in Tianchang Civil Explosion and Liaoyuan Zhuoli held by the company, the company will entrust Nanling Industry Explosive and/or its actually controlled subsidiary to manage the daily production and operation of these companies on their behalf, and deregister and shut down or transfer the equity to Nanling Industry Explosive and/or its actual controlled subsidiaries if appropriate, or a third party who is not related to the company within five years after fulfilling the injection conditions (including but not limited to clear ownership, good compliant status and sound operation and profitability) so as to completely eliminate horizontal competition.
3. Except for the above circumstances, as of the effective date of this letter of undertaking, the company and the enterprises controlled by the company have not engaged in the businesses or activities that constitute or may constitute horizontal competition with the principal businesses currently engaged in by Gezhouba Explosive, Nanling Industry Explosive and its controlled enterprises within and outside Mainland China in any form.
4. Upon the completion of the Transaction, if the company or the enterprises controlled by the company further expand their business scopes or Nanling Industry Explosive further expands its business scope, resulting in competition in principal businesses between the company or the enterprises controlled by the company and Nanling Industry Explosive, the company will actively negotiate with Nanling Industry Explosive to adopt measures, including but not limited to suspension of the production or operation of competing businesses of the company or other enterprises controlled by the company; or inclusion of competing businesses into Nanling Industry Explosive; or transfer of competing businesses to unrelated third parties, so as to avoid horizontal competition with Nanling Industry Explosive.
5. If the company or the enterprises controlled by the company recognize any new business opportunity that constitutes or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, they shall notify Nanling Industry Explosive in writing to the extent reasonably practicable, and endeavour to procure that this business opportunity will be offered to Nanling Industry Explosive and its controlled enterprises on reasonable and fair terms and conditions.
  - (1) If Nanling Industry Explosive and its controlled enterprises explicitly give up the abovementioned new business opportunities, or fail to notify the company in writing whether it would accept the abovementioned new business opportunities

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within 15 days after receiving the abovementioned written notice from the company, the company or the enterprises controlled by the company may engage in the new business. When Nanling Industry Explosive and its controlled enterprises consider that it's time for injection of new business, Nanling Industry Explosive and its controlled enterprises have the right to acquire any equity, assets and other interests in the new business in a lump sum or by installments from the company or the enterprises controlled by the company, or Nanling Industry Explosive can choose to entrust, lease or contract to operate the assets or businesses of the company or the enterprises controlled by the company in the new business in the ways permitted under national laws and regulations.

- (2) If the company or the enterprises controlled by the company intend to transfer, sell, lease, license or transfer or allow the use of the assets and businesses in other ways that constitute or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, the company or the enterprises controlled by the company will provide Nanling Industry Explosive and its controlled enterprises with priority to acquire such assets and businesses.
6. The company will compensate Nanling Industry Explosive and its controlled enterprises for all actual losses, damages and expenses suffered/incurred due to the breach of any terms of this letter of undertaking by the company or the enterprises controlled by the company.
7. This letter of undertaking will be terminated from the date when the Transaction is approved by the CSRC until the occurrence of the following circumstances (whichever is earlier): (1) the company is no longer regarded as the controlling shareholder of Nanling Industry Explosive according to the rules of the relevant stock exchange or relevant regulations; or (2) the delisting of shares of Nanling Industry Explosive (other than temporary suspension of trading of the shares of Nanling Industry Explosive for any reason).”

The commitment to avoid horizontal competition issued by CGGC Group is as follows:

- “1. There is a certain overlap between the mining engineering general contracting business or blasting operation related businesses currently being undertaken by the subsidiaries of the company including CGGC, China Gezhouba Group No.1 Engineering Co., Ltd. (中國葛洲壩集團第一工程有限公司), China Gezhouba Group No.2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限公司), China Gezhouba Group Road & Bridge Co., Ltd. (中國葛洲壩集團路橋工程有限公司), China Gezhouba Group Three Gorges Construction Engineering Co., Ltd. (中國葛洲壩集團三峽建設工程有限公司), China Gezhouba Group Municipal Engineering Co., Ltd. (中國葛洲壩集團市政工程有限公司), China Gezhouba Group Electric Power Co., Ltd. (中國葛洲壩集團電力有限責任公司) and Gezhouba Wuhan Road Materials Co., Ltd. (葛洲壩武漢道路材料有限公司) (the “Relevant Enterprises”) and principal businesses (mine blasting integrated business, blasting business, production and sales of civil explosive equipment) of Nanling

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Industry Explosive. The company undertakes that Nanling Industry Explosive will be the only platform for the company to implement mining engineering general contracting and blasting operation related businesses in the future.

- (1) For the existing mining engineering general contracting or blasting operation related business currently being carried out by the relevant subsidiaries of the company, subject to the requirements of laws and regulations, business contracts entered into between Relevant Enterprises and the owner, the company will coordinate Relevant Enterprises to negotiate with the owner within five years from the effective date of this undertaking to hand over relevant business to Nanling Industry Explosive and/or its actually controlled subsidiaries for implementation, or comprehensively use entrusted management, asset restructuring, business adjustment and other methods to steadily promote integration of relevant businesses to solve the problem of horizontal competition.
  - (2) In addition to the existing businesses, unless Nanling Industry Explosive and its controlled enterprises give up relevant business opportunities, the relevant subsidiaries of the company will cease to undertake any new mining engineering general contracting and blasting operation related businesses.
2. For the equities in Tianchang Civil Explosion and Liaoyuan Zhuoli held by the subsidiaries of the company, the company will coordinate Relevant Enterprises to entrust Nanling Industry Explosive and/or its actually controlled subsidiary to manage the daily production and operation of these companies on their behalf, and deregister and shut down or transfer the equity to Nanling Industry Explosive and/or its actual controlled subsidiaries if appropriate, or a third party who is not related to the company within five years after fulfilling the injection conditions (including but not limited to clear ownership, good compliant status and sound operation and profitability) so as to completely eliminate horizontal competition.
3. Except for the above circumstances, as of the effective date of this letter of undertaking, the company and the enterprises controlled by the company have not engaged in the businesses or activities that constitute or may constitute horizontal competition with the principal businesses currently engaged in by Gezhoubu Explosive, Nanling Industry Explosive and its controlled enterprises within and outside Mainland China in any form.
4. Upon the completion of the Transaction, if the company or the enterprises controlled by the company further expand their business scopes or Nanling Industry Explosive further expands its business scope, resulting in competition in principal businesses between the company or the enterprises controlled by the company and Nanling Industry Explosive, the company will actively negotiate with Nanling Industry Explosive to adopt measures, including but not limited to suspension of the production or operation of competing businesses of the company or other enterprises controlled by the company; or inclusion of competing businesses into Nanling Industry Explosive; or transfer of competing businesses to unrelated third parties, so as to avoid horizontal competition with Nanling Industry Explosive.

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5. If the company or the enterprises controlled by the company recognize any new business opportunity that constitutes or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, they shall notify Nanling Industry Explosive in writing to the extent reasonably practicable, and endeavour to procure that this business opportunity will be offered to Nanling Industry Explosive and its controlled enterprises on reasonable and fair terms and conditions.
  - (1) If Nanling Industry Explosive and its controlled enterprises explicitly give up the abovementioned new business opportunities, or fail to notify the company in writing whether it would accept the abovementioned new business opportunities within 15 days after receiving the abovementioned written notice from the company, the company or the enterprises controlled by the company may engage in the new business. When Nanling Industry Explosive and its controlled enterprises consider that it's time for injection of new business, Nanling Industry Explosive and its controlled enterprises have the right to acquire any equity, assets and other interests in the new business in a lump sum or by installments from the company or the enterprises controlled by the company, or Nanling Industry Explosive can choose to entrust, lease or contract to operate the assets or businesses of the company or the enterprises controlled by the company in the new business in the ways permitted under national laws and regulations.
  - (2) If the company or the enterprises controlled by the company intend to transfer, sell, lease, license or transfer or allow the use of the assets and businesses in other ways that constitute or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, the company or the enterprises controlled by the company will provide Nanling Industry Explosive and its controlled enterprises with priority to acquire such assets and businesses.
6. The company will compensate Nanling Industry Explosive and its controlled enterprises for all actual losses, damages and expenses suffered/incurred due to the breach of any terms of this letter of undertaking by the company or the enterprises controlled by the company.
7. This letter of undertaking will be terminated from the date when the Transaction is approved by the CSRC until the occurrence of the following circumstances (whichever is earlier): (1) the company is no longer regarded as the controlling shareholder of Nanling Industry Explosive according to the rules of the relevant stock exchange or relevant regulations; or (2) the delisting of shares of Nanling Industry Explosive (other than temporary suspension of trading of the shares of Nanling Industry Explosive for any reason).”

The commitment to avoid horizontal competition issued by the Company is as follows:

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- “1. There is a certain overlap between the mining engineering general contracting business or blasting operation related businesses currently being undertaken by the subsidiaries of the Company including CGGC, China Gezhouba Group No.1 Engineering Co., Ltd. (中國葛洲壩集團第一工程有限公司), China Gezhouba Group No.2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限公司), China Gezhouba Group No.3 Engineering Co., Ltd. (中國葛洲壩集團第三工程有限公司), China Gezhouba Group Road & Bridge Co., Ltd. (中國葛洲壩集團路橋工程有限公司), China Gezhouba Group Three Gorges Construction Engineering Co., Ltd. (中國葛洲壩集團三峽建設工程有限公司), China Gezhouba Group Municipal Engineering Co., Ltd. (中國葛洲壩集團市政工程有限公司), China Gezhouba Group Electric Power Co., Ltd. (中國葛洲壩集團電力有限責任公司), Gezhouba Wuhan Road Materials Co., Ltd. (葛洲壩武漢道路材料有限公司), Gezhouba Xinjiang Engineering Bureau (Co., Ltd.) (葛洲壩新疆工程局(有限公司)), Guangxi Water Conservancy and Hydropower Engineering Bureau Co., Ltd.\* of China Energy Engineering Group (中國能源建設集團廣西水電工程局有限公司), and CEEC East China Runye Engineering Construction Co., Ltd. (中能建華東潤業工程建設有限公司) (the “Relevant Enterprises”) and principal businesses (mine blasting integrated business, blasting business, production and sales of civil explosive equipment) of Nanling Industry Explosive. The Company undertakes that Nanling Industry Explosive will be the only platform for the Company to implement mining engineering general contracting and blasting operation related businesses in the future.
- (1) For the existing mining engineering general contracting or blasting operation related business currently being carried out by the relevant subsidiaries of the Company, subject to the requirements of laws and regulations, business contracts entered into between Relevant Enterprises and the owner, the Company will coordinate Relevant Enterprises to negotiate with the owner within five years from the effective date of this undertaking to hand over relevant business to Nanling Industry Explosive and/or its actually controlled subsidiaries for implementation, or comprehensively use entrusted management, asset restructuring, business adjustment and other methods to steadily promote integration of relevant businesses to solve the problem of horizontal competition.
- (2) In addition to the existing businesses, unless Nanling Industry Explosive and its controlled enterprises give up relevant business opportunities, the relevant subsidiaries of the Company will cease to undertake any new mining engineering general contracting and blasting operation related businesses.
2. For the equities in Tianchang Civil Explosion and Liaoyuan Zhuoli held by the subsidiaries of the Company, the Company will coordinate Relevant Enterprises to entrust Nanling Industry Explosive and/or its actually controlled subsidiary to manage the daily production and operation of these companies on their behalf, and deregister and shut down or transfer the equity to Nanling Industry Explosive and/or its actual controlled subsidiaries if appropriate, or a third party who is not related to the Company within five years after fulfilling the injection conditions (including but not limited to clear ownership, good compliant status and sound operation and profitability) so as to completely eliminate horizontal competition.

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3. Except for the above circumstances, as of the effective date of this letter of undertaking, the Company and the enterprises controlled by the Company have not engaged in the businesses or activities that constitute or may constitute horizontal competition with the principal businesses currently engaged in by Gezhouba Explosive, Nanling Industry Explosive and its controlled enterprises within and outside Mainland China in any form.
4. Upon the completion of the Transaction, if the Company or the enterprises controlled by the Company further expand their business scopes or Nanling Industry Explosive further expands its business scope, resulting in competition in principal businesses between the Company or the enterprises controlled by the Company and Nanling Industry Explosive, the Company will actively negotiate with Nanling Industry Explosive to adopt measures, including but not limited to suspension of the production or operation of competing businesses of the Company or other enterprises controlled by the Company; or inclusion of competing businesses into Nanling Industry Explosive; or transfer of competing businesses to unrelated third parties, so as to avoid horizontal competition with Nanling Industry Explosive.
5. If the Company or the enterprises controlled by the Company recognize any new business opportunity that constitutes or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, they shall notify Nanling Industry Explosive in writing to the extent reasonably practicable, and endeavour to procure that this business opportunity will be offered to Nanling Industry Explosive and its controlled enterprises on reasonable and fair terms and conditions.
  - (1) If Nanling Industry Explosive and its controlled enterprises explicitly give up the abovementioned new business opportunities, or fail to notify the Company in writing whether it would accept the abovementioned new business opportunities within 15 days after receiving the abovementioned written notice from the Company, the Company or the enterprises controlled by the Company may engage in the new business. When Nanling Industry Explosive and its controlled enterprises consider that it's time for injection of new business, Nanling Industry Explosive and its controlled enterprises have the right to acquire any equity, assets and other interests in the new business in a lump sum or by installments from the Company or the enterprises controlled by the Company, or Nanling Industry Explosive can choose to entrust, lease or contract to operate the assets or businesses of the Company or the enterprises controlled by the Company in the new business in the ways permitted under national laws and regulations.
  - (2) If the Company or the enterprises controlled by the Company intend to transfer, sell, lease, license or transfer or allow the use of the assets and businesses in other ways that constitute or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, the Company or the enterprises controlled by the Company will provide Nanling Industry Explosive and its controlled enterprises with priority to acquire such assets and businesses.

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6. The Company will compensate Nanling Industry Explosive and its controlled enterprises for all actual losses, damages and expenses suffered/incurred due to the breach of any terms of this letter of undertaking by the Company or the enterprises controlled by the Company.
7. This letter of undertaking will be terminated from the date when the Transaction is approved by the CSRC until the occurrence of the following circumstances (whichever is earlier): (1) the Company is no longer regarded as the controlling shareholder of Nanling Industry Explosive according to the rules of the relevant stock exchange or relevant regulations; or (2) the delisting of shares of Nanling Industry Explosive (other than temporary suspension of trading of the shares of Nanling Industry Explosive for any reason).”

The commitment to avoid horizontal competition issued by Energy China Group is as follows:

- “1. There is a certain overlap between the mining engineering general contracting business or blasting operation related businesses currently being undertaken by the subsidiaries of the company including CGGC, China Gezhouba Group No.1 Engineering Co., Ltd. (中國葛洲壩集團第一工程有限公司), China Gezhouba Group No.2 Engineering Co., Ltd. (中國葛洲壩集團第二工程有限公司), China Gezhouba Group No.3 Engineering Co., Ltd. (中國葛洲壩集團第三工程有限公司), China Gezhouba Group Road & Bridge Co., Ltd. (中國葛洲壩集團路橋工程有限公司), China Gezhouba Group Three Gorges Construction Engineering Co., Ltd. (中國葛洲壩集團三峽建設工程有限公司), China Gezhouba Group Municipal Engineering Co., Ltd. (中國葛洲壩集團市政工程有限公司), China Gezhouba Group Electric Power Co., Ltd. (中國葛洲壩集團電力有限責任公司), Gezhouba Wuhan Road Materials Co., Ltd. (葛洲壩武漢道路材料有限公司), Gezhouba Xinjiang Engineering Bureau (Co., Ltd.) (葛洲壩新疆工程局(有限公司)), Guangxi Water Conservancy and Hydropower Engineering Bureau Co., Ltd.\* of China Energy Engineering Group (中國能源建設集團廣西水電工程局有限公司), and CEEC East China Runye Engineering Construction Co., Ltd. (中能建華東潤業工程建設有限公司) (the “Relevant Enterprises”) and principal businesses (mine blasting integrated business, blasting business, production and sales of civil explosive equipment) of Nanling Industry Explosive. The company undertakes that Nanling Industry Explosive will be the only platform for the company to implement mining engineering general contracting and blasting operation related businesses in the future.
  - (1) For the existing mining engineering general contracting or blasting operation related business currently being carried out by the relevant subsidiaries of the company, subject to the requirements of laws and regulations, business contracts entered into between Relevant Enterprises and the owner, the company will coordinate Relevant Enterprises to negotiate with the owner within five years from the effective date of this undertaking to hand over relevant business to Nanling Industry Explosive and/or its actually controlled subsidiaries for implementation, or comprehensively use entrusted management, asset restructuring, business adjustment and other methods to steadily promote integration of relevant businesses to solve the problem of horizontal competition.

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- (2) In addition to the existing businesses, unless Nanling Industry Explosive and its controlled enterprises give up relevant business opportunities, the relevant subsidiaries of the company will cease to undertake any new mining engineering general contracting and blasting operation related businesses.
2. For the equities in Tianchang Civil Explosion and Liaoyuan Zhuoli held by the subsidiaries of the company, the company will coordinate Relevant Enterprises to entrust Nanling Industry Explosive and/or its actually controlled subsidiary to manage the daily production and operation of these companies on their behalf, and deregister and shut down or transfer the equity to Nanling Industry Explosive and/or its actual controlled subsidiaries if appropriate, or a third party who is not related to the company within five years after fulfilling the injection conditions (including but not limited to clear ownership, good compliant status and sound operation and profitability) so as to completely eliminate horizontal competition.
3. Except for the above circumstances, as of the effective date of this letter of undertaking, the company and the enterprises controlled by the company have not engaged in the businesses or activities that constitute or may constitute horizontal competition with the principal businesses currently engaged in by Gezhouba Explosive, Nanling Industry Explosive and its controlled enterprises within and outside Mainland China in any form.
4. Upon the completion of the Transaction, if the company or the enterprises controlled by the company further expand their business scopes or Nanling Industry Explosive further expands its business scope, resulting in competition in principal businesses between the company or the enterprises controlled by the company and Nanling Industry Explosive, the company will actively negotiate with Nanling Industry Explosive to adopt measures, including but not limited to suspension of the production or operation of competing businesses of the company or other enterprises controlled by the company; or inclusion of competing businesses into Nanling Industry Explosive; or transfer of competing businesses to unrelated third parties, so as to avoid horizontal competition with Nanling Industry Explosive.
5. If the company or the enterprises controlled by the company recognize any new business opportunity that constitutes or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, they shall notify Nanling Industry Explosive in writing to the extent reasonably practicable, and endeavour to procure that this business opportunity will be offered to Nanling Industry Explosive and its controlled enterprises on reasonable and fair terms and conditions.
  - (1) If Nanling Industry Explosive and its controlled enterprises explicitly give up the abovementioned new business opportunities, or fail to notify the company in writing whether it would accept the abovementioned new business opportunities within 15 days after receiving the abovementioned written notice from the company, the company or the enterprises controlled by the company may engage in the new business. When Nanling Industry Explosive and its controlled

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enterprises consider that it's time for injection of new business, Nanling Industry Explosive and its controlled enterprises have the right to acquire any equity, assets and other interests in the new business in a lump sum or by installments from the company or the enterprises controlled by the company, or Nanling Industry Explosive can choose to entrust, lease or contract to operate the assets or businesses of the company or the enterprises controlled by the company in the new business in the ways permitted under national laws and regulations.

- (2) If the company or the enterprises controlled by the company intend to transfer, sell, lease, license or transfer or allow the use of the assets and businesses in other ways that constitute or may constitute direct or indirect competition with the principal businesses of Nanling Industry Explosive and its controlled enterprises, the company or the enterprises controlled by the company will provide Nanling Industry Explosive and its controlled enterprises with priority to acquire such assets and businesses.
6. The company will compensate Nanling Industry Explosive and its controlled enterprises for all actual losses, damages and expenses suffered/incurred due to the breach of any terms of this letter of undertaking by the company or the enterprises controlled by the company.
7. This letter of undertaking will be terminated from the date when the Transaction is approved by the CSRC until the occurrence of the following circumstances (whichever is earlier): (1) the company is no longer regarded as the controlling shareholder of Nanling Industry Explosive according to the rules of the relevant stock exchange or relevant regulations; or (2) the delisting of shares of Nanling Industry Explosive (other than temporary suspension of trading of the shares of Nanling Industry Explosive for any reason)."

In conclusion, the Spin-off complies with the requirements of the CSRC and the stock exchanges on horizontal competition.

### **2. *Related party transactions***

After the Spin-off, the Company will still hold the control right of Gezhouba Explosive, Gezhouba Explosive will still be a subsidiary within the scope of the Company's consolidated statements, and the related party transactions of Gezhouba Explosive will still be reflected in the consolidated statements of CEEC. For Gezhouba Explosive, after the Spin-off, the Company will still be the indirect controlling shareholder of Gezhouba Explosive, and the related party transactions between Gezhouba Explosive and the Company will still be included in the annual amount of related party transactions of Gezhouba Explosive.

After the Spin-off, Nanling Industry Explosive will become the direct controlling shareholder of Gezhouba Explosive and become an indirect holding subsidiary of the Company, and the scope of related parties of the Company and Gezhouba Explosive will be expanded, which may result in additional related party transactions between the Company or Gezhouba Explosive.

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There is no obviously unfair related party transaction between the Company and Gezhouba Explosive. After the Sin-off, in order to regulate and reduce related party transactions, CGGC, CGGC Group, the Company and Energy China Group respectively issued commitments on regulating related party transactions, and promised to minimize their related party transactions with Nanling Industry Explosive and its subsidiaries (including Gezhouba Explosive), and in the event of an unavoidable or justifiable related party transaction, such transaction will be conducted in accordance with the principles of equity, fairness and equivalent compensation. Gezhouba Explosive issued a commitment to regulate related party transactions, promising that in the occurrence of related party transactions, it will ensure the compliance, rationality and fairness of related party transactions, maintain the Company's independence, and try to avoid and reduce related party transactions with the Company. As the controlling shareholder/person acting in concert with controlling shareholders of Nanling Industry Explosive before the completion of the Transaction, Nanling Chemical Group and Shentu Investment also issued similar commitments as mentioned above. In order to safeguard the interests of shareholders, minimize and regulate related transactions, and protect the legitimate rights of all shareholders of listed company, especially minority shareholders, CGGC, CGGC Group, Energy China Group and the Company have issued commitments on regulating related transactions as follows:

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Before the Transaction, the related party transactions with Gezhouba Explosive were legal, necessary, reasonable and fair, and the review procedures were compliant and information disclosure was regulated. It hereby makes the following commitments to regulate and reduce related party transactions after the completion of the Transaction:

1. After the completion of the Transaction, companies under its control and itself will try to minimize related party transactions with Nanling Industry Explosive and companies under its control. After the completion of the Transaction, in the event of an unavoidable or justifiable related party transaction, companies under its control and itself will conduct such transaction with Nanling Industry Explosive and companies under its control in accordance with the principles of equity, fairness and equivalent compensation; and will enter into agreement with Nanling Industry Explosive and companies under its control in accordance with the law, and the transaction price will be determined at a reasonable price recognized by the market; and will perform transaction approval procedures and information disclosure obligations in accordance with relevant laws, regulations and regulatory documents.
2. It will perform the decision-making procedures for related party transactions, disclose information in a timely manner in accordance with the provisions of relevant laws, regulations and other regulatory documents and the provisions of the Nanling Industry Explosive's articles of association and the related party transaction decision-making system; and will not damage the legitimate rights and interests of Nanling Industry Explosive and other shareholders of Nanling Industry Explosive by way of related party transactions.
3. It will exercise corresponding rights and assume corresponding obligations in accordance with the articles of association of Nanling Industry Explosive, and will not use the identity of related parties to seek illegitimate interests.
4. It will not illegally transfer the funds and profits of Nanling Industry Explosive by way of related party transactions, illegally occupy the funds of Nanling Industry Explosive by way of borrowing, repaying debts, advancing payments or any others, require Nanling Industry Explosive and the companies under its control to guarantee for the companies under its control and itself in violation of regulations, nor damage the legitimate rights and interests of Nanling Industry Explosive and other shareholders of Nanling Industry Explosive.

In conclusion, after the Spin-off, there is no related party transaction between the Company and Gezhouba Explosive that affects independence or is obviously unfair. The Spin-off complies with the requirements of the CSRC and the stock exchanges on related party transactions.

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## LETTER FROM THE BOARD

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- (III) The listed company and the proposed spun-off subsidiary are independent from each other in terms of assets, financial affairs and institutions

Up to now, the Company and Gezhouba Explosive have their own independent and complete operational assets with clear ownership. The Company and Gezhouba Explosive have established independent financial departments and systems of financial management and have conducted the independent registration, accounts preparation, auditing and management of all of their assets, and the structural organizations of Gezhouba Explosive are independent from its controlling shareholder and other related parties. The Company and Gezhouba Explosive have their respective comprehensive functional departments and internal operation and management organizations, and such organizations exercise their functions and rights independently, and there is no convoluted between Gezhouba Explosive and the Company or other enterprises controlled by the Company. The Company will ensure that after the Spin-off, there are neither circumstances in which the Company occupies or controls the assets of Gezhouba Explosive nor the Company intervenes Gezhouba Explosive's operation and management of its assets. There is also no convoluted between the organizations. After the Spin-off, the Company and Gezhouba Explosive will maintain asset, financial and institutional independence.

- (IV) There is no overlapping appointment among senior management and financial personnel

Gezhouba Explosive has its own independent senior management and financial personnel, who do not hold overlapping positions with the senior management and financial personnel of the Company. After the Spin-off, the Company and Gezhouba Explosive will continue to maintain the independence of their senior management and financial personnel, and avoid the overlapping appointment.

- (V) There are no other serious deficiencies in terms of independence

Each of the Company and Gezhouba Explosive has its own comprehensive business structure and market-oriented capability to operate independently, and there are no other serious deficiencies in terms of independence. The Spin-off will prompt Gezhouba Explosive to further improve its corporate governance structure, continue to maintain the independence from the Company in terms of assets, business, organization, finance and personnel, and enhance the integrity of business structure and market-oriented capability to operate independently.

Upon the completion of the Spin-off, Gezhouba Explosive will become a subsidiary of Nanling Industry Explosive. In order to maintain the independence of the listed company after the completion of the Spin-off, CGGC, CGGC Group, the Company and Energy China Group have issued the letter of undertaking to maintain the independence of the listed company.

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## LETTER FROM THE BOARD

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In summary, the Spin-off of Gezhouba Explosive by the Company for reorganization and listing complies with the relevant requirements of the Provisions on the Spin-off.

The above resolution has been considered and approved by the Board, and is hereby submitted to the Shareholders for consideration and approval at the EGM.

**(vi) Resolution regarding the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. Which Benefits the Safeguarding of the Legitimate Rights and Interests of Shareholders and Creditors**

Upon the completion of the Spin-off and Listing, the shareholding structure of the Company will remain unchanged. Nanling Industry Explosive will become the controlling shareholder of Gezhouba Explosive, CGGC will become the controlling shareholder of Nanling Industry Explosive, and the Company will become the indirect controlling shareholder of Nanling Industry Explosive.

Through the Spin-off, the Company will further achieve business focus. The Company will build Nanling Industry Explosive after the spin-off, reorganization and listing into an independent listing platform for integrated services of research and development, production, sales and engineering blasting of civil explosives affiliated to the Company. The Company will enhance its financial strength through listing and financing, strengthen its leading position and competitive advantages in the field of civil explosion business through capital market, further increase the research and development investment in the core technology of civil explosion business, and improve the profitability and comprehensive competitiveness of civil explosion business.

Nanling Industry Explosive is a listed company in the field of civil explosion. It is expected that after the completion of the Spin-off, from the perspective of performance improvement, through the integration with Nanling Industry Explosive and giving full play to the synergistic effect, the business development and innovation of Gezhouba Explosive will be further accelerated, and the growth of its performance will be simultaneously reflected in the overall performance of the Company, thereby improving the Company's profitability and stability; from the perspective of value discovery, the Spin-off will help to fully release its intrinsic value, and the value of the Company's equity in the civil explosion business sector is expected to be further enhanced, and the liquidity will also be significantly improved; from the perspective of structural optimization, the Spin-off will help to further expand financing channels, improve the Company's overall financing efficiency, and enhance the Company's comprehensive strength.

Therefore, the spin-off of Gezhouba Explosive by the Company for reorganization and listing will have a positive impact on the interests of the Shareholders, creditors and other stakeholders of the Company.

The above resolution has been considered and approved by the Board, and is hereby submitted to the Shareholders for consideration and approval at the EGM.

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## LETTER FROM THE BOARD

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**(vii) Resolution regarding the Maintenance of Independence and Sustainable Operation Ability of the Company**

Upon the completion of the Spin-off, the Company is able to maintain independence and the ability to continue as a going concern. The details are as follows:

I. The Company is able to maintain independence after the Spin-off

The spin-off of Gezhouba Explosive by the Company for reorganization and listing complies with the relevant requirements of the Provisions on the Spin-off. The assets of the Company and Gezhouba Explosive are independent and complete. The Company and Gezhouba Explosive are independent from each other in terms of finance, organization, personnel, business, etc. Each of them has its own comprehensive business structure and market-oriented capability to operate independently, and there are no other serious deficiencies in terms of independence. In view of the business independence of each business segment of the Company, the Spin-off will not adversely affect continuing operation of other business segments of the Company.

The Company will appoint independent financial advisor, law firm, accounting firm with relevant securities business qualifications and other securities service agencies in accordance with the requirements of the Provisions on the Spin-off to issue professional opinions on the Spin-off.

II. The Company is able to maintain the ability to continue as a going concern

Nanling Industry Explosive is a listed company in the field of civil explosion. It is expected that after the completion of the Spin-off, from the perspective of performance improvement, through the integration with Gezhouba Explosive and giving full play to the synergistic effect, the development and innovation of civil explosion business will be further accelerated, and the growth of its performance will be simultaneously reflected in the overall performance of the Company, thereby improving the Company's profitability and stability; from the perspective of value discovery, the Spin-off will help to fully release its intrinsic value, and the value of the Company's equity in the civilian explosion business sector is expected to be further enhanced, and the liquidity will also be significantly improved; from the perspective of structural optimization, the Spin-off will help to further expand financing channels, improve the Company's overall financing efficiency, and enhance the Company's comprehensive strength.

In view of this, after the spin-off of Gezhouba Explosive by the Company for reorganization and listing, Gezhouba Explosive maintains business independence from other business segments of the Company. The Spin-off will not adversely affect continuing operation of other business segments of the Company. Other businesses of the Company will still maintain a good development trend, and the Company is able to maintain the ability to continue as a going concern.

In summary, after the Spin-off, the Company is able to maintain independence and the ability to continue as a going concern.

The above resolution has been considered and approved by the Board, and is hereby submitted to the Shareholders for consideration and approval at the EGM.

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## LETTER FROM THE BOARD

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**(viii) Resolution regarding the Ability of the Corresponding Standardized Operation of the New Company Established upon the Spin-off**

As a new entity formed by the spin-off and reorganization, Nanling Industry Explosive has the corresponding capability to implement regulated operation. The details are as follows:

Nanling Industry Explosive is a listed company on the Shenzhen Stock Exchange. In accordance with the Company Law, Basic Standards for Internal Control of Enterprise and other relevant regulations, Nanling Industry Explosive has established and improved the corporate governance structure with general meeting, the board of directors, the board of supervisors, special committees and senior management as main bodies, and formulated the Rules of Procedure for the General Meeting of Shareholders, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Board of Supervisors and the Regulations on the Work of Operating Organizations to ensure the standard and effective operation of the general meeting, the board of directors, the board of supervisors, the management and other institutions. There are four special committees under the board of directors, including the remuneration and appraisal committee, the audit committee, the nomination committee and the strategy committee, the compositions of which are in compliance with relevant regulations, and corresponding rules of procedure for special committees have been formulated. Each functional organization has formulated complete working system according to management responsibilities, and formed a complete set of systems that are compliant and effective. Upon the completion of the Spin-off, Nanling Industry Explosive will continue to operate in accordance with relevant laws and regulations.

Therefore, Nanling Industry Explosive has the corresponding capability to implement regulated operation.

The above resolution has been considered and approved by the Board, and is hereby submitted to the Shareholders for consideration and approval at the EGM.

**(ix) Resolution regarding the Explanation of the Completeness and Compliance Conforming to Statutory Procedures of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhoubu Group Explosive Co., Ltd. and the Validity of Submitted Legal Documents**

According to the provisions of the Company Law, the Securities Law, the Provisions on the Spin-off and other laws, regulations, regulatory documents and the Articles of Association, the Company has carefully reviewed the completeness and compliance of the implementation of statutory procedures and the validity of the legal documents submitted, which is hereby explained as follows:

Pursuant to the relevant provisions of the Company Law, the Securities Law, the Provisions on the Spin-off and other laws, regulations, regulatory documents and the Articles of Association, the Company has implemented statutory procedures necessary at this stage for matters related to the Spin-off. Such statutory procedures are complete, legal and valid. The statutory procedures performed by the Company for the Spin-off are complete and in compliance with the relevant laws, regulations, regulatory documents and the Articles of Association, and the legal documents submitted to the stock exchange are legal and valid.

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## LETTER FROM THE BOARD

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Pursuant to the provisions of relevant laws, regulations and regulatory documents, the Board and all Directors of the Company have made the statements and warrant for the relevant legal documents submitted for the Spin-off that: the Board and all Directors of the Company will strictly perform their statutory duties; guarantee that the documents submitted for the Spin-off do not contain false representation, misleading statement or material omission; and guarantee the truthfulness, accuracy, completeness and timeliness of the said documents, and severally and jointly accept responsibility for them.

The statutory procedures of the Spin-off are complete and in compliance with the requirements of relevant laws, regulations, regulatory documents and the Articles of Association, and the legal documents submitted to the related regulatory authorities are legal and valid.

The above resolution has been considered and approved by the Board, and is hereby submitted to the Shareholders for consideration and approval at the EGM.

(x) **Resolution regarding the Analysis on the Objectives, Commercial Reasonableness, Necessity and Feasibility of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd.**

Pursuant to the provisions of the relevant laws and regulations including the Provisions on the Spin-off, the Company analysed the background and objectives, commercial reasonableness, necessity and feasibility of the Spin-off as follows:

I. Background of the Spin-off

As the “14th Five-Year Plan” of the PRC proposes to coordinate the promotion of infrastructure construction, accelerate the construction of a transportation power, promote the energy revolution, and strengthen the construction of water conservancy infrastructure and other important tasks, coupled with the deepening of the “One Belt and One Road” initiative, the demand for mineral development and infrastructure construction has been greatly stimulated. As an important basic industry of national economic construction and an indispensable part of engineering construction, the civil explosive business has ushered in a golden opportunity period to implement the national strategy and will play an indispensable role.

Although the civil explosive industry in the PRC has ranked first in the world in terms of market size, it still lags behind the international advanced level in terms of industrial concentration and product structure. According to the Opinions of the Ministry of Industry and Information Technology on Promoting High-quality Development of Civil Explosive Industry issued by the Ministry of Industry and Information Technology (the “MIIT”) (Go Xin Bu An Quan [2018] No. 237), to further increase the concentration of the civil explosive industry, improve the level of intrinsic safety, and strengthen the technological innovation capability of enterprises, major high-quality civil explosive enterprises are encouraged to develop and grow through mergers and acquisitions, the licensed production capacity of civil explosives with excess capacity shall not be added in principle, 3 to 5 leading enterprises with certain industry driving force and international competitiveness will be cultivated, and the orientation of leading enterprises to drive the development of the industry is particularly obvious. The 14th Five-Year Plan for the Safety Development of Civil Explosive Industry pointed out that, in the industrial concentration target, it is clearly stated that by

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## LETTER FROM THE BOARD

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the end of the 14th Five-Year Plan, the corporate restructuring and integration will be promoted continually, and the number of production enterprises will decrease to less than 50; the industrial concentration will be continued to increase, and the number of enterprises will be further reduced, forming 3 to 5 large-scale civil explosive integrated enterprises (groups) with strong industry driving force and international competitiveness. By 2025, the top 10 civil explosive enterprises will account for more than 60% of the industry gross product. The industrial digital electronic detonators will be fully promoted. In addition to retaining a small amount of production capacity for export or other licensed special purposes, the production of ordinary industrial detonators will be stopped by the end of June 2022, and the sale of ordinary industrial detonators will be ceased by the end of August 2022. The proportion of licensed production capacity of on-site mixed explosives will continue to increase from 30% to 35%. In addition, enterprises are encouraged to release production capacity in an orderly manner based on market demand, and excess capacity will be guided to exit faster.

On basis of the foregoing, China Gezhouba Group Explosive Co., Ltd.\* (中國葛洲壩集團易普力股份有限公司) (“Gezhouba Explosive”), a holding subsidiary of the Company and as the industry leader, after fully considering factors such as enterprise development scale, development quality, synergy and cooperation willingness, intends to reorganize with Nanling Industry Explosive, a state-owned civil explosive listed company in Hunan Province.

### II. Objectives, commercial reasonableness, necessity and feasibility of the Spin-off

#### (I) Strengthening the traditional advantageous business and enhancing the competitiveness of the Company’s principal engineering business

In 2018, the MIIT issued the Opinions on High-Quality Development of Civil Explosive Industry, which clarified the specific paths and goals for forcibly resolving excess capacity, raising entry threshold of the industry, and guiding corporate restructuring and integration in the next three years. 3 to 5 leading enterprises with certain industry driving force and international competitiveness will be cultivated intensively, 8 to 10 key enterprises with outstanding scientific and technological leadership and strong integrated service capabilities will be supported, and the GDP of the top 15 manufacturers in the industry will be promoted to exceed 60% of the total industry. A new industry pattern is about to take shape. According to the direction requirements of “promoting restructuring and integration as well as improving industrial concentration” of the MIIT, restructuring and integration is a necessary way for civil explosive enterprises to grow and develop. In the future, the leading civil explosive enterprises will gather more high-quality industry resources, and small and medium-sized civil explosive enterprises will face elimination or integration.

Gezhouba Explosive belongs to the civil explosive business segment of the Company. It has formed a complete industrial chain of research and development, production, sales, transportation and explosive construction of civil explosive products, which are widely used in the fields of energy engineering construction, infrastructure construction, etc. Through the Spin-off, the Company could deepen the reform of state-owned assets and state-owned enterprises, strengthen and optimize the traditional advantageous business of civil explosives, improve the corporate governance level, maintain and increase the value of state-owned assets, and accelerate the further development of the enterprise.

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## LETTER FROM THE BOARD

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The Spin-off will greatly enhance the control of the Company's engineering service industrial chain as an important step, fully exert the advantages of integration, cost and intrinsic safety, optimize the management system and operation mechanism of civil explosives, improve the management level, further increase the investment and research and development of civil explosive products, and maintain the innovation vitality in research and development, production and sales of civil explosive products, improve the core technical strength, enhance the core competitiveness of the principal engineering business, and strengthen the overall capability of the Company to serve the national infrastructure.

Meanwhile, the Spin-off and Listing will further improve the Company's asset quality and risk resistance ability, and promote the Company's sustainable and healthy development in the long run.

- (II) Improving the financing efficiency of the civil explosive segment and exerting the advantages of the listing platform of subsidiaries

After the Spin-off, the civil explosive segment will realize direct linkage with capital market, exert the functions and advantages of direct financing in the capital market, broaden financing channels, increase financing flexibility and improve financing efficiency, so as to effectively reduce capital costs, effectively reduce the gearing ratio of the Company and the civil explosive segment, and provide sufficient capital guarantee for the civil explosive segment to enhance market competitiveness, improving the market competitiveness. Additionally, the civil explosive segment could carry out various capital operations in the future such as industrial merger and acquisition leveraging on the capital market platform, further improve the research and development level and production scale, enrich the product line, expand the sales network and realize leapfrog development.

- (III) Promoting high-quality assets of the Company to obtain reasonable valuation and maximizing the interests of all Shareholders

The Spin-off will be conducive to improving the operation capacity, financial transparency and corporate governance level of the civil explosion segment, providing shareholders and other institutional investors with clearer business and financial conditions of the civil explosion segment, and will be conducive to the reasonable valuation of the Company's different businesses in the capital market, so that the value of the Company's prime assets could be fully reflected in the capital market, thereby improving the overall market value of the Company, and maximizing the interests of all shareholders.

### III. Feasibility of the Spin-off

The Spin-off is in compliance with the related requirements of the Provisions on the Spin-off in respect of the spin-off and domestic listing of subsidiaries of listed companies, and is feasible.

The above proposal has been considered and approved by the Board, and is hereby submitted to the Shareholders for consideration and approval at the EGM.

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## LETTER FROM THE BOARD

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**(xi) Resolution regarding the Authorisation by the General Meeting to the Board of Directors and Its Delegated Persons to Deal with Matters Relating to the Spin-off of the Company**

To ensure smooth progress of matters in relation to the Spin-off, the Board intends to propose to the general meeting to authorise the Board and its authorised persons to deal with the matters relating to the Spin-off, which include but not limited to the following:

1. The Board of the Company and its authorised persons are authorised to exercise, at their full discretion, the indirect shareholders' rights in Gezhouba Explosive on behalf of the Company to make resolutions in relation to matters concerning the Spin-off, which shall be resolved at the general meeting of the Company (other than resolutions which shall be resolved at a general meeting as required by laws and regulations), participate in the general meeting regarding the application for issuance and listing and other related matters, and sign resolutions regarding issuance and listing, listing application documents, declarations and commitments, etc.
2. The Board of the Company and its authorised persons are authorised to make adjustments and modifications to as well as terminate the matters and plans relating to the Spin-off based on the specific conditions.
3. The Board of the Company and its authorised persons are authorised to deal with, at their full discretion, relevant matters in respect of the Spin-off and submission of relevant applications to relevant authorities including the State-owned Assets Supervision and Administration Commission of the State Council, the CSRC and stock exchanges for the purpose of the listing, including but not limited to the submission of the Spin-off and Listing application to the stock exchanges, communication with securities regulatory authorities and state-owned asset regulatory authorities in respect of matters relating to the Spin-off and Listing, as well as adjustments and modifications to the matters relating to the Spin-off or termination of the Spin-off in accordance with the requirements of securities regulatory authorities.
4. The Board of the Company and its authorised persons are authorised to decide on other specific matters in connection with the Spin-off, including but not limited to the engagement of relevant intermediaries, execution, delivery and receipt of necessary agreements and legal documents and relevant information disclosure in accordance with applicable regulatory rules.

The abovementioned authorisation is valid for 12 months from the date of this resolution being considered and approved at the general meeting of the Company.

The above resolution has been considered and approved by the Board, and is hereby submitted to the Shareholders for consideration and approval at the EGM.

### **FIRST EXTRAORDINARY GENERAL MEETING OF 2022**

A notice of the EGM to be held at Room 2702, Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC on Friday, 30 September 2022 at 9:00 a.m., is set out on pages 46 to 48 of this circular.

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## LETTER FROM THE BOARD

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The holders of H Shares whose names appear on the register of members of H Shares of the Company on Friday, 30 September 2022 are entitled to attend and vote at the EGM. The register of members of H Shares of the Company will be closed from Tuesday, 27 September 2022 to Friday, 30 September 2022 (both days inclusive), during which no transfer of H Shares can be registered. All transfer documents of H Shares together with the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 26 September 2022.

A reply slip and a proxy form for use at the EGM are enclosed herewith and also published on both the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ceec.net.cn>). If you intend to appoint a proxy to attend the EGM, you are requested to complete, sign and return the enclosed proxy form in accordance with the instructions printed thereon by 9:00 a.m. on Thursday, 29 September 2022. Completion, signing and return of the proxy form will not preclude you from attending and voting in person at the EGM. Shareholders who intend to attend the meeting in person or by proxy should complete, sign and return the reply slip in accordance with the instructions printed thereon on or before Wednesday, 28 September 2022.

### LISTING RULES IMPLICATIONS

According to Rule 13.39(4) of the Listing Rules, apart from certain exceptions, any vote of Shareholders at the EGM must be taken by poll. All resolutions at the EGM will be voted by way of poll. An announcement on the poll results will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ceec.net.cn>), respectively by the Company after the EGM in the manner prescribed under the Listing Rules.

### RECOMMENDATION

The Board believes that the proposals mentioned above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favor of the relevant resolutions to be proposed at the EGM as set out in the notice of the EGM.

Yours faithfully,  
By order of the Board  
**China Energy Engineering Corporation Limited\***  
**Song Hailiang**  
*Chairman*

\* *For identification purpose only*

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# NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

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中國能源建設股份有限公司

**CHINA ENERGY ENGINEERING CORPORATION LIMITED\***

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

**(Stock Code: 3996)**

## **NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022**

**NOTICE IS HEREBY GIVEN** that the first extraordinary general meeting of 2022 (the “EGM”) of China Energy Engineering Corporation Limited (the “Company”) will be held at Room 2702, Building 1, No. 26A West Dawang Road, Chaoyang District, Beijing, the PRC on Friday, 30 September 2022 at 9:00 a.m. to consider and, if thought fit, to pass the following resolutions.

### **AS SPECIAL RESOLUTIONS**

1. To consider and approve the Resolution regarding the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China Gezhouba Group Stock Company Limited, a Subsidiary of the Company
2. To consider and approve the Resolution regarding the Compliance of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. with the Requirements of Relevant Laws and Regulations
3. To consider and approve the Resolution regarding the Plan for Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd.
4. To consider and approve the Resolution regarding the Proposal for the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. by China Energy Engineering Corporation Limited (2nd Revised Draft)
5. To consider and approve the Resolution regarding the Compliance of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. with the Provisions on the Spin-off of Listed Companies (Trial)
6. To consider and approve the Resolution regarding the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. which Benefits the Safeguarding of the Legitimate Rights and Interests of Shareholders and Creditors
7. To consider and approve the Resolution regarding the Maintenance of Independence and Sustainable Operation Ability of the Company

\* For identification purpose only

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

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8. To consider and approve the Resolution regarding the Ability of the Corresponding Standardized Operation of the New Company Established upon the Spin-off
9. To consider and approve the Resolution regarding the Explanation of the Completeness and Compliance Conforming to Statutory Procedures of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd. and the Validity of Submitted Legal Documents
10. To consider and approve the Resolution regarding the Analysis on the Objectives, Commercial Reasonableness, Necessity and Feasibility of the Spin-off, Reorganization and Listing of the Subsidiary China Gezhouba Group Explosive Co., Ltd.
11. To consider and approve the Resolution regarding the Authorisation by the General Meeting to the Board of Directors and Its Delegated Persons to Deal with Matters Relating to the Spin-off of the Company

Particulars of the resolutions referred to in this notice will be set out in the circular to be despatched by the Company in due course.

By order of the Board  
**CHINA ENERGY ENGINEERING CORPORATION LIMITED\***  
**Song Hailiang**  
*Chairman*

Beijing, the PRC  
15 September 2022

*As at the date of this notice, the executive directors of the Company are Mr. Song Hailiang, Mr. Sun Hongshui and Mr. Ma Mingwei; the non-executive directors are Mr. Li Shulei, Mr. Liu Xueshi and Mr. Si Xinbo; and the independent non-executive directors are Mr. Zhao Lixin, Mr. Cheng Niangao and Dr. Ngai Wai Fung.*

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## NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

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*Notes:*

1. The holders of H Shares whose names appear on the register of members of the Company on Friday, 30 September 2022 are entitled to attend and vote at the EGM. The register of H Shareholders of the Company will be closed from Tuesday, 27 September 2022 to Friday, 30 September 2022 (both days inclusive), during which no transfer of Shares can be registered. All transfer documents together with the relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 26 September 2022.
2. Shareholders who intend to attend the EGM in person or by proxy should complete and sign the reply slip accompanying the notice of the EGM and return it by hand, by post or by fax to the Company's H Share registrar (as mentioned below) (for holders of H Shares) on or before Wednesday, 28 September 2022. Completion and return of the reply slip do not affect the right of a Shareholder to attend the EGM. However, the failure to return the reply slip may result in adjournment of the EGM, if the number of Shares carrying right to vote represented by the Shareholders proposing to attend the EGM by reply slip does not reach more than half of the total number of Shares of the Company carrying right to vote at the EGM.
3. Any Shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the meeting on his/her behalf. A proxy needs not be a Shareholder of the Company.
4. A proxy shall be appointed by an instrument in writing (including the proxy form). Such instrument shall be signed by the appointer or his/her attorney duly authorized in writing. If the appointer is a legal person, then the instrument shall be signed under a legal person's seal or signed by its director or an attorney duly authorized in writing. The instrument appointing the proxy shall be deposited at the Company's H Share registrar (for holders of H Shares) by 9:00 a.m. on Thursday, 29 September 2022. If the instrument appointing the proxy is signed by a person authorized by the appointer, the power of attorney or other document of authority under which the instrument is signed shall be notarized. The notarized power of attorney or other document of authority shall be deposited together and at the same time with the instrument appointing the proxy at the Company's H Share registrar.
5. Shareholders or their proxies are required to produce their identification documents when attending the EGM.
6. Miscellaneous
  - i. It is expected that the EGM will last for half a day. All attending Shareholders shall arrange for their transportation and accommodation and shall bear all their own expenses in connection with their attendance.
  - ii. The address of the Company's H Share registrar:  
Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
(For lodging share transfer documents)  
  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
(For deposit of reply slip or proxy form)  
  
Tel: +852 2862 8555  
Fax: +852 2865 0990