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

If you have sold or transferred all your shares in **Datang Environment Industry Group Co., Ltd.***, you should at once hand this circular together with the accompanying proxy form to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

CONTINUING CONNECTED TRANSACTION –

**(1) RENEWED INTEGRATED PRODUCT AND
SERVICE FRAMEWORK AGREEMENT;**

CONTINUING CONNECTED TRANSACTIONS AND

MAJOR TRANSACTIONS –

(2) RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT; AND

**(3) DEPOSIT SERVICES UNDER THE RENEWED FINANCIAL SERVICES
AGREEMENT**

AND

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

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

TRINITY

Trinity Corporate Finance Limited

A letter from the Board is set out on pages 5 to 42 of this circular. A letter from the Independent Board Committee is set out on pages 43 to 44 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 45 to 88 of this circular.

The 2024 Third EGM will be held at 2:00 p.m. on Monday, 30 December 2024 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC. The notice of the 2024 Third EGM is set out on pages 99 to 101 of this circular.

The proxy form for use at the 2024 Third EGM is enclosed with this circular and such proxy form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.dteg.com.cn).

If you intend to appoint a proxy to attend the 2024 Third EGM, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For holders of H Shares, the proxy form should be returned to the H Share Registrar and for holders of Domestic Shares, the proxy form should be returned to the Company's board office in the PRC in person or by post not less than 24 hours before the time fixed for holding the 2024 Third EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the 2024 Third EGM or at any other adjourned meeting should you so wish.

11 December 2024

* For identification purpose only

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DEFINITIONS

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

“2024 Third EGM”	the 2024 third extraordinary general meeting of the Company to be held at 2:00 p.m. on Monday, 30 December 2024 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC
“associate(s)”	has the meaning ascribed under the Listing Rules
“Board”	the board of Directors of the Company
“CA”	certificate authority
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, Macau Special Administrative Region and Taiwan
“China Datang”	China Datang Corporation Ltd. (中國大唐集團有限公司), a state-owned enterprise established on 9 April 2003 in accordance with the PRC laws and the controlling shareholder and a promoter of the Company
“China Datang Group”	China Datang and its subsidiaries (excluding the Group)
“Company”	Datang Environment Industry Group Co., Ltd.* (大唐環境產業集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1272)
“connected person(s)”	has the meaning ascribed under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed under the Listing Rules
“Continuing Connected Transaction(s)”	the connected transactions under the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement
“controlling shareholder(s)”	has the meaning ascribed under the Listing Rules
“Datang Capital”	China Datang Group Capital Holding Co., Ltd. (中國大唐集團資本控股有限公司), a company established in the PRC, and a subsidiary of China Datang and the controlling shareholder of the Company

DEFINITIONS

“Datang Finance”	China Datang Finance Co., Ltd. (中國大唐集團財務有限公司), a company established in the PRC with limited liability, and a non-wholly owned subsidiary of China Datang
“Deposit Services”	deposit services to be provided by Datang Finance to the Group under the Renewed Financial Services Agreement
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and have not been listed on any stock exchanges
“EPC”	engineering, procurement and construction, a common form of contracting arrangement whereby the contractor is commissioned by the customer to carry out works, such as design, procurement, construction and trial operations, either through the contractor’s own employees or by subcontracting part or all of the works, and be responsible for the quality, safety, timely delivery and cost of the project
“Existing Financial Services Agreement”	the financial services agreement entered into by Datang Finance and the Company on 3 December 2021, which will expire on 31 December 2024
“Existing Financial Services Framework Agreement”	the financial services framework agreement entered into by Datang Capital and the Company on 3 December 2021, which will expire on 31 December 2024
“Existing Integrated Product and Service Framework Agreement”	the integrated product and service framework agreement entered into by China Datang and the Company on 3 December 2021, which will expire on 31 December 2024
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. Mao Zhuanjian, Mr. Suen Chun Hung, Benjamin and Ms. Hu Yunqing, all being independent non-executive Directors
“Independent Financial Adviser”	Trinity Corporate Finance Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO, and is the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Deposit Services under the Renewed Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps thereof
“Independent Shareholder(s)”	the Shareholder(s) who is/are not required to abstain from voting at the 2024 Third EGM for the resolutions with respect to the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps thereof
“Latest Practicable Date”	11 December 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NAFR”	the National Administration of Financial Regulation (國家金融監督管理總局) of the PRC
“NDRC”	the National Development and Reform Commission of the PRC or its local counter parts
“MEE”	the Ministry of Ecology and Environment (中華人民共和國生態環境部)
“Other Financial Services”	other financial services which may be provided by Datang Finance to the Group in addition to loan services and the Deposit Services, including financial and financing consultation and training services, bill acceptances and discounting services, fund settlement and payment services, entrustment loan and non-financing guarantee services, financial consultation services for the Group's bond financing

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行)
“Renewed Financial Services Agreement”	the renewed financial services agreement entered into between Datang Finance and the Company on 11 December 2024, which will take effect from 1 January 2025 and expiring on 31 December 2027
“Renewed Financial Services Framework Agreement”	the renewed financial services agreement entered into between Datang Capital and the Company on 11 December 2024, which will take effect from 1 January 2025 and expiring on 31 December 2027
“Renewed Integrated Product and Service Framework Agreement”	the renewed integrated product and service framework agreement entered into by China Datang and the Company on 11 December 2024 which will take effect from 1 January 2025 and expiring on 31 December 2027
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“%”	per cent

LETTER FROM THE BOARD



Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

Executive Director:

Mr. Zhu Liming

Non-executive Directors:

Mr. Xu Chun

Mr. Pang Xiaojin

Mr. Xia Huaixiang

Mr. Chu Hongbo

Mr. Song Yunpeng

Independent Non-executive Directors:

Mr. Mao Zhuanjian

Mr. Suen Chun Hung, Benjamin

Ms. Hu Yunqing

Registered Office and Head Office in the PRC:

No. 120 Zizhuyuan Road,

Haidian District,

Beijing,

the PRC

Principal Place of Business in Hong Kong:

31/F, Tower Two,

Times Square,

1 Matheson Street,

Causeway Bay,

Hong Kong

11 December 2024

To the Shareholders

Dear Sir or Madam,

* For identification purpose only

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTION – (1) RENEWED INTEGRATED PRODUCT AND SERVICE FRAMEWORK AGREEMENT;

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS – (2) RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT; AND (3) DEPOSIT SERVICES UNDER THE RENEWED FINANCIAL SERVICES AGREEMENT

AND

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 11 December 2024 (the “**Announcement**”), in relation to the continuing connected transactions and major transactions. Details of relevant continuing connected transactions and major transactions (including annual caps) are set out in this circular.

The purposes of this circular are to provide you with, among other things: (i) further details of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Deposit Services under the Renewed Financial Services Agreement and the respective proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the matters set out in (i); (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the matters set out in (i); (iv) a notice of the 2024 Third EGM; and (v) other matters mentioned above and other information as required under the Listing Rules.

I. RENEWED INTEGRATED PRODUCT AND SERVICE FRAMEWORK AGREEMENT

Introduction

As the Existing Integrated Product and Service Framework Agreement will expire on 31 December 2024, and the Company will continue to conduct the transactions under the Existing Integrated Product and Service Framework Agreement for 2025 to 2027, therefore, the Company entered into the Renewed Integrated Product and Service Framework Agreement with China Datang on 11 December 2024 in order to renew the relevant continuing connected transactions. Both parties agreed that such agreement shall be effective from 1 January 2025 and expiring on 31 December 2027. Details of the Renewed Integrated Product and Service Framework Agreement are set out as follows.

Date: 11 December 2024

Parties: (1) China Datang; and

(2) the Company

LETTER FROM THE BOARD

Term: Effective from 1 January 2025 and expiring on 31 December 2027, and could be extended or renewed for three years as agreed by both parties within three months prior to expiry and subject to compliance with the relevant laws, regulations, regulatory documents and the Listing Rules.

Principal terms: According to the Renewed Integrated Product and Service Framework Agreement, (i) the Group provides China Datang Group with products and services including service provision business such as environmental protection facility concession operation, water treatment operation and energy management contracting, product business such as the sale of denitrification catalyst, and engineering business such as environmental protection facilities engineering business, renewable energy engineering and other services; and (ii) the products and services procured by the Group from China Datang Group include service procurement business such as operational ancillary services, information technology services, and other services, and equipment and raw material procurement business such as supply of water, electricity and steam, procurement of equipment and raw materials and other products and services.

In respect of the abovementioned transactions under the Renewed Integrated Product and Service Framework Agreement, the Company and/or its subsidiaries and China Datang and/or its subsidiaries may enter into separate specific contracts in compliance with the Renewed Integrated Product and Service Framework Agreement as stipulated in the Renewed Integrated Product and Service Framework Agreement. If the terms and conditions of similar products and services provided by independent third parties are not favorable than that provided by one of the parties, then another party shall prioritize the procurement of products and services needed from the counterparty.

LETTER FROM THE BOARD

Proposed Annual Caps

The proposed annual caps of each transaction under the Renewed Integrated Product and Service Framework Agreement for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

Type of transactions		Proposed annual caps for the year ending 31 December		
		2025	2026	2027
		<i>(RMB '000)</i>		
Provided by the Group to	Service provision business ⁽¹⁾	4,782,000	4,853,000	4,903,000
China Datang Group	Product business ⁽²⁾	366,000	371,000	375,000
	Engineering business ⁽³⁾	1,123,000	874,000	989,000
Procured by the Group from	Service procurement business ⁽⁴⁾	370,000	373,000	375,000
China Datang Group	Equipment and raw material procurement business ⁽⁵⁾	1,751,000	1,795,000	1,822,000

Notes:

- (1) Service provision business mainly includes environmental protection facility concession operations (desulfurization and denitrification), water treatment operation, energy management contracting business, and renewable energy technology services.
- (2) Product business mainly includes the sale of denitrification catalyst and renewable catalyst.
- (3) Engineering business mainly includes flue gas treatment engineering, water treatment engineering and renewable energy engineering.
- (4) Service procurement business mainly includes environmental protection facility concession operations, water treatment operation ancillary service and information technology services.
- (5) Equipment and raw material procurement business mainly includes supply of water, electricity and steam, procurement of equipment and raw materials and other products.

In determining the abovementioned proposed annual caps for 2025 to 2027, the Board has taken into account the following factors:

Basis for the calculation of proposed annual caps: In determining the above proposed annual caps, the Directors have considered: (i) the terms of the existing relevant agreements; (ii) the historical amounts of various relevant transactions; (iii) outstanding contracts of the Group and new contracts to be entered into by the Group in the coming three years and the value of such new contracts; and (iv) the expected future market price of relevant products and services based on market condition.

Specifically for the various transactions under the Renewed Integrated Product and Service Framework Agreement, the determination of respective proposed annual caps are based on the followings:

LETTER FROM THE BOARD

(a) *Products and services to be provided by the Group to China Datang Group*

Service provision business

The service provision business of the Group mainly includes environmental protection facility concession operations (desulfurization and denitrification), water treatment operation, energy management contracting business, and renewable energy technology services.

In terms of environmental protection facility concession operation, the unit price of on-grid electricity is determined based on the environmental electricity price benchmark issued by the NDRC, and in some cases, through the bidding process. For more information on the environmental electricity price benchmark, please refer to the paragraph headed “– I. Renewed Integrated Product and Service Framework Agreement – Pricing Policy – (a) Products and services to be provided by the Group to China Datang Group – The pricing policy for service provision business under the concession operations (desulfurization and denitrification) services” in this section below. Considering the continuous growth of China’s domestic economy and the increase in electricity demand, an increase in the output from coal-fired power generation is expected. Together with the cumulative installed capacity in desulfurization and denitrification concession operations of the Group as of 31 December 2023 being 50,210MW and 41,240MW, respectively, the power generation output of China Datang Group requiring desulfurization and denitrification are estimated to be 2,194 billion kWh, 2,216 billion kWh and 2,238 billion kWh for each of the three years ending 31 December 2027, respectively.

In terms of water treatment operation, it is expected that the transaction amounts between the Group and China Datang Group in the next three years will maintain a similar level compared with that in 2023, while its percentage in the total operating income of the Group will still be relatively low.

In terms of energy management contracting business, it is expected that the transaction amounts between the Group and China Datang Group in the next three years will maintain a similar level as compared with that in 2023. It is a business model that the energy conservation companies provide energy conservation services to customers according to the energy conservation service contracts entered into with them, and recover the investment and gain profit from the energy efficiency achieved upon the completion of energy conservation facilities refurbishment.

In terms of renewable energy technology services, it is expected that the Group will undertake China Datang Group’s renewable energy technology projects with the contract value expected to gradually increase over the three years ending 31 December 2027.

The proposed annual caps of the service provision business for the three years ending 31 December 2027 mainly include the ones of environmental protection facility concession operation, water treatment operation, energy management contracting business, and renewable energy technology services.

LETTER FROM THE BOARD

Given that the Group's existing environmental protection facility concession operation business is in a stable operating state, the environmental protection facility concession operation is estimated to remain at a constant rate with a slight increase for each of the three years ending 31 December 2027, where its proposed annual caps contribute to over 95% of the aggregate proposed annual caps of the service provision business. The proposed annual caps for the environmental protection facility concession operation are calculated on the basis of the cumulative installed capacity in desulfurization and denitrification concession operations of the Group, the estimated power generation output of China Datang Group requiring desulfurization and denitrification concession operations, and the estimated unit price of approximately RMB0.021/kWh calculated using the weighted average method based on the number of project requiring either or both desulfurization and denitrification for the three years ending 31 December 2027 with reference to the prevailing government-prescribed price.

In addition, it is expected that the existing projects for water treatment operation would contribute approximately RMB70 million to RMB75 million each year of the three years ending 31 December 2027. Similarly, with the existing projects in energy management contracting business, and taking into account that there is no intention to engage in new energy management contracting transactions with connected persons of the Company, the estimated transaction value will remain the same for the three years ending 31 December 2027. The estimated transaction value of renewable energy technology services is determined based on the contract value of the existing contracts on hand, and the estimated contract value of the projects to be undertaken by us for the three years ending 31 December 2027.

Product business

The product business mainly includes the sale of denitrification catalysts and renewable catalysts.

The proposed annual caps of the product business for the three years ending 31 December 2027 are determined based on the sales volume of denitrification catalysts and renewable catalysts from the Group to China Datang Group, which is expected to reach approximately 42,000 m³ in 2025, an estimated average unit sale price of RMB8,700 estimated based on the average unit sale price of denitrification catalysts and renewable catalysts charged by the Group during the three years ended 31 December 2023, and an expected increase in sales revenue by approximately 1.3% to 1.4% annually in both 2026 and 2027 estimated based on an expected increase in average unit sale price due to the expected launch of high value-adding catalyst products, which are currently under development, during the three years ending 31 December 2027.

Engineering business

The engineering business mainly includes flue gas treatment engineering, water treatment engineering and renewable energy engineering.

LETTER FROM THE BOARD

The Group has strategically transformed the business model of its renewable energy engineering business segment from EPC contracting to focusing on design-led engineering technical services, and established the renewable energy design institute (新能源設計院) in 2023 to provide renewable energy engineering design and technical services. Therefore, a significant increase in the transaction amounts of renewable energy engineering design and technical services is expected. Also, given the influence of national policies to strengthen pollution prevention and control as well as develop circular economy, it is expected that the number of construction projects such as dust control, desulfurization and denitrification to be undertaken by the Group in the future three years will steadily increase.

The proposed annual caps of the engineering business for the three years ending 31 December 2027 are determined based on the expected revenue recognition from ongoing engineering projects, which is based on their contractual progress and completion timelines, and the anticipated new contracts for engineering projects over the three years ending 31 December 2027, taking into account the Group's growth expectations and market conditions.

(b) *Products and services to be procured by the Group from China Datang Group*

Service procurement business

Service procurement business includes environmental protection facility concession operation, water treatment operation ancillary service, information technology services, and other services.

In respect of concession operation ancillary service to be procured by the Group from China Datang Group, based on the existing contracts on hand, the expected costs of service to be procured by the Group from China Datang Group are expected to be RMB265 million annually for the three years ending 31 December 2027, which is in line with the increase in the volume of the desulfurization and denitrification concession operation service to be provided by the Group to China Datang Group for the next three years. For water treatment operation ancillary service, given that following the increase in service lives of equipments, the workload for daily operating maintenance and equipment repair will also increase, resulting in a gradual growth in the expected costs for the three years ending 31 December 2027, being RMB67.5 million, RMB69 million and RMB70.5 million respectively.

The information technology services to be procured by the Group from China Datang Group for the next three years mainly includes software design, construction of information system and relevant information service.

The proposed annual caps of the service procurement business are highly correlated to the transaction value under the service provision business, the product business and the engineering business to be provided by the Group to China Datang Group. Given the Group's strategic transformation in the business model of its renewable energy engineering business segment from EPC contracting to design-led engineering technical services, a significant increase in the transaction amounts of renewable energy engineering design and technical services is expected. The proposed annual caps of the service procurement business

LETTER FROM THE BOARD

increased by 87.4%, 89.0% and 90.8% for the three years ending 31 December 2027 as compared with annualised historical transaction results for the six months ended 30 June 2024 to accommodate this anticipated growth in demand.

Equipment and raw material procurement business

Equipment and raw material procurement business includes supply of water, electricity and steam, procurement of equipment and raw materials and other products.

In respect of water, electricity and steam to be procured by the Group from China Datang Group, the Directors believe that the proposed annual caps for the next three years will continuously and steadily increase along with the rising power generation output of China Datang Group requiring desulfurization and denitrification concession operations. The estimated price, volume and percentage to the proposed annual caps for the equipment and raw material procurement business regarding the supply of water, electricity and steam for the three years ending 31 December 2027 are as follows:

		Estimated price per unit (RMB)	Estimated volume	Percentage to the proposed annual caps for the equipment and raw material procurement business		
				For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
Supply of	Water	3.3/tonne	32.7 million tonnes	6.1%	6.0%	6.0%
	Electricity	381.0/mWh	3,336 million kWh	72.6%	71.4%	70.9%
	Steam	144.1/tonne	606.3 thousand tonnes	5.0%	4.9%	4.9%
			Total	83.7%	82.3%	81.8%

The transaction amount of procurement of equipment and raw materials is mainly determined based on the scale of the environmental protection facilities engineering, water treatment operation, energy management constructing business, renewable energy engineering and other engineering business to be provided by the Group to China Datang Group. As it is expected that the overall scale of the abovementioned business segments of the Group in the coming years will increase steadily, it is expected that the procurement of equipment and raw materials will also increase accordingly. In particular, as the concession operation business progresses and the service lives of the equipment increase, the frequency of equipment maintenance is expected to increase, leading to growth in raw material costs and investment required for replacement of spare parts. As for procurement of equipment and raw materials for engineering projects, the corresponding proposed annual caps is determined based on the expected transaction amounts, which is estimated from the expected procurement cost per project and the number of projects, including dust removal, environmental engineering, desulfurization, zero wastewater discharge and water condensate, expected to be undertaken by the Group or

LETTER FROM THE BOARD

remain outstanding. The expected transaction amounts are RMB177.0 million, RMB197.5 million and RMB206.9 million for each of the three years ending 31 December 2027, respectively.

The percentages of procurement for the equipment and raw material procurement business other than water, electricity and steam to the proposed annual caps are 16.3%, 17.7% and 18.2% for each of the three years ending 31 December 2027, respectively.

In the meantime, as China Datang Group is able to effectively reduce the purchasing price of part of the equipment and raw materials through centralized procurement and distribution process, the Group may also purchase part of the equipment and raw materials from China Datang Group through bidding process.

The proposed annual caps of the equipment and raw material procurement business are highly correlated to the transaction value under the service provision business, the product business and the engineering business to be provided by the Group to China Datang Group.

Historical Transaction Amounts and the Utilisation Rates of the Historical Annual Caps

The historical transaction amounts of each transaction under the Existing Integrated Product and Service Framework Agreement for each of the last two years ended 31 December 2023 and six months ended 30 June 2024, the historical annual caps for the two years ended 31 December 2023 and the year ending 31 December 2024 and the respective utilisation rates are as follows:

Type of transactions (Note 1)	Historical transaction amounts (RMB '000)			Historical annual cap (RMB '000)			Utilisation rate				
	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024	For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ending 31 December 2024	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024		
	Provided by the Group to	Service provision	4,057,905	4,046,245	1,788,457	4,132,000	4,086,000	4,029,000	98.2%	99.0%	88.8%
	China Datang Group	Product business	152,642	150,041	98,307	270,000	271,000	272,000	56.5%	55.4%	72.3%
	Engineering business	627,054	923,119	211,874	3,691,000	4,005,000	4,346,000	17.0%	23.1%	9.8%	
								(Note 3)	(Note 3)	(Note 3)	
Procured by the Group from	Service procurement	182,231	148,961	98,702	437,000	464,000	481,000	41.7%	32.1%	41.0%	
China Datang Group	Equipment and raw material procurement business	1,692,065	1,938,474	547,263	2,054,000	2,088,000	2,197,000	82.4%	92.8%	49.8%	
								(Note 4)	(Note 4)	(Note 4)	

Notes:

- (1) Please refer to the notes set out in “– I. Renewed Integrated Product and Service Framework Agreement – Proposed Annual Caps” in this section above.

LETTER FROM THE BOARD

- (2) The utilisation rate is calculated by taking the actual transaction amounts for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the historical annual cap for the year ending 31 December 2024 for illustration purposes.
- (3) The Group originally planned to develop its renewable energy engineering business through undertaking EPC contracting projects; however, due to the low profit margin of such projects, the Group gradually reduced the scale of its operations in these projects in recent years. This resulted in the historical transaction amounts of the engineering business being lower than expected for the two years ended 31 December 2023 and six months ended 30 June 2024, leading to relatively low utilisation rates. However, the Group established the renewable energy design institute (新能源設計院) in 2023 to provide renewable energy engineering design and technical services. Therefore, despite the reduction in the scale of EPC contracting operations, a significant increase in the transaction amounts of renewable energy engineering design and technical services is expected. The higher proposed annual caps for the engineering business, compared to historical transaction amounts, are intended to accommodate such growth in the renewable energy engineering business.
- (4) The lower-than-expected transaction amounts in the renewable energy engineering business, as explained in Note 3 above, affected the corresponding service procurement amounts, resulting in, similarly, low utilisation rates for the service procurement business. However, for the same reasons stated in Note 3, the transaction amounts of the Group's renewable energy engineering business, specifically of design and technical services, are expected to increase in the upcoming three years. Hence, higher proposed annual caps for the service procurement business have been made to accommodate this anticipated growth in demand.

Pricing Policy

Under the Renewed Integrated Product and Service Framework Agreement, the pricing policy of various products and services are as follows:

(a) ***Products and services to be provided by the Group to China Datang Group***

In most circumstances where China Datang Group purchases products and/or services from the Group, bidding procedures shall apply for the determination of prices. Only in exceptional circumstances, bidding procedures can be skipped by China Datang Group. These circumstances primarily include (a) reoccurrence of lack of sufficient number of bidders attending the bidding procedure; and (b) urgent procurement demand by China Datang Group that does not allow the bidding procedure to be completed.

The pricing policy for service provision business under the concession operations (desulfurization and denitrification) services: The Measures for the Supervision and Administration of Prices of Electricity from Coal-Fired Generating Units with Environmental Protection Facilities and the Operation of the Environmental Protection Facilities (《燃煤發電機組環保電價及環保設施運行監管辦法》) issued by the NDRC and the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) on 28 March 2014 specify that environmental price-increasing policies are implemented to the newly-built or retrofitted environmental protection facilities of the coal-fired generating units. In addition, The Opinions on Promoting the Third-Party Treatment of Environmental Pollution (《關於推行環境污染第三方治理的意見》) issued by the General Office of the State Council on 27 December 2014 specify the comprehensive implementation of environmental electricity tariffs of desulfurization, denitrification and dust removal for all coal-fired generating units. In order to implement the supportive policies on electric tariff of “promoting the refurbishment of ultra-

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low emission of coal-fired power plants”, the NDRC, MEP (the Ministry of Environmental Protection, currently known as MEE) and the National Energy Administration promulgated the Notice on the Implementation of Coal-fired Power Plants Ultra-low Emission Tariff Supportive Policy Related Issues (《關於實行燃煤電廠超低排放電價支持政策有關問題的通知》) on 2 December 2015, and the policy became effective on 1 January 2016. Furthermore, the NDRC issued the Guiding Opinions on Deepening the Reform of the Mechanism for Forming On-grid Tariffs of Coal-Fired Power Generation (《國家發展和改革委員會關於深化燃煤發電上網電價形成機制改革的指導意見》) on 21 October 2019, which accordingly clarified the environmental electricity price policy. For coal-fired power generation implementing the “benchmark price plus floating” pricing mechanism, the benchmark price includes the tariffs for desulfurization, denitrification, and dust removal. For power supply still guaranteed by power grid enterprises, the current ultra-low emission electricity price policy continues to be implemented on the basis of the benchmark price. For coal-fired power generation on-grid electricity prices that are fully liberalized and formed by the market, the on-grid price includes the tariffs for desulfurization, denitrification, dust removal, and ultra-low emissions.

Thus, the tariff for desulfurized and denitrified electricity under the concession operation services shall be determined based on government-prescribed prices, according to the actual on-grid electricity price of power generation enterprises. The unit prices for desulfurized and denitrified electricity are RMB0.015/kWh and RMB0.01/kWh, respectively. For ultra-low emission electricity, the unit prices for projects already in operation before 2016 and after 2016 are RMB0.01/kWh and RMB0.005/kWh, respectively. The price of by-products shall be determined based on market prices (which are determined through the public market and independent service providers through bidding processes, and taking into account comparable conditions, including but not limited to the technology and quality of the services, obtained through other prices negotiated through market mechanisms in relation to the provision of similar services in similar industries).

The pricing policy for other service provision business: The price of the services other than the concession operations (desulfurization and denitrification) to be provided by the Group to China Datang Group in accordance with the Renewed Integrated Product and Service Framework Agreement shall be determined based on the following policy:

If a bidding procedure is conducted by China Datang Group, the bidding price offered by the successful bidder shall be implemented. Prior to the bidding procedures, China Datang will publish announcements on its bidding invitation on public websites. There must be at least three bidders attending the bidding procedure, otherwise the bidding will be cancelled. The review panel for any bidding consists of experts selected by China Datang who have no interest in the bidding, and will score the bids by categories where bidding price is an important but not the only factor to be considered (other factors include the requisite service qualifications of the bidders, the results and credentials of similar types of services, overall technical capabilities, provision of technical plans, commercial goodwill). The bidder with the highest score comprehensively determined by the review panel wins and the bidding price offered by the bidder will be implemented. Therefore, only in the event that the Group wins

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the bidding with the highest score determined by the review panel, China Datang Group will enter into agreements with the Group under the Renewed Integrated Product and Service Framework Agreement.

Only in exceptional circumstances, such as in case of reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent procurement demand by China Datang Group, bidding procedures can be skipped by China Datang Group where China Datang Group will search in its database for projects of a similar nature and make reference to recent bidding prices for comparable services. Usually the price is ascertained as the averaged amount of these recent bidding prices with reasonable fluctuations. However, if no recent bidding prices for comparable services can be found in its database, China Datang Group will make reference to prices of services of the similar nature published on official bidding websites operated by the Chinese government to ascertain the price.

Meanwhile, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider providing relevant services to such third party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors including but not limited to price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.

Pricing policy for product business: In accordance with the Renewed Integrated Product and Service Framework Agreement, the products, primarily denitrification catalysts, to be provided by the Group to China Datang Group will be determined based on the following pricing policy:

If a bidding procedure is conducted by China Datang Group, the bidding price offered by the successful bidder shall be implemented. Prior to the bidding procedures, China Datang Group will publish announcements on its bidding invitation on public websites. There must be at least three bidders attending the bidding procedure, otherwise the bidding will be cancelled. The review panel for any bidding consists of experts selected by China Datang Group who have no interest in the bidding, and will score the bids by categories where bidding price is an important but not the only factor to be considered (other factors include the requisite qualifications of production and operation of the bidders, the results and credentials of similar types of projects, overall technical capabilities, provision of technical plans, commercial goodwill). The bidder with the highest score comprehensively determined by the review panel wins and the bidding price offered by the bidder will be implemented. Therefore, only in the event that the Group wins the bidding with the highest score determined by the review panel, China Datang Group will enter into agreements with the Group under the Renewed Integrated Product and Service Framework Agreement.

Only in exceptional circumstances, such as in case of reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent procurement demand by China Datang Group, bidding procedures can be skipped by China Datang Group where China Datang Group will search in its database for projects of a similar nature and make reference to recent bidding prices for comparable products. Usually the price is ascertained as the averaged amount of

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these recent bidding prices with reasonable fluctuations. However, if no recent bidding prices for comparable products can be found in its database, China Datang Group will make reference to prices of products of the similar nature published on official bidding websites operated by the Chinese government to ascertain the price.

Meanwhile, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider providing relevant products to such third party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors including but not limited to price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.

Pricing policy for engineering business: If a bidding procedure is conducted by China Datang Group, the bidding price offered by the successful bidder shall be implemented. Prior to the bidding procedures, China Datang Group will publish announcements on its bidding invitation on public websites. There must be at least three bidders attending the bidding procedure, otherwise the bidding will be cancelled. The review panel for any bidding consists of experts selected by China Datang Group who have no interest in the bidding, and will score the bids by categories where bidding price is an important but not the only factor to be considered (other factors include the requisite qualifications of production and operation of the bidders, the results and credentials of similar types of projects, overall technical capabilities, provision of technical plans and commercial goodwill). The bidder with the highest score comprehensively determined by the review panel wins and the bidding price offered by the bidder will be implemented. Therefore, only in the event that the Group wins the bidding with the highest score determined by the review panel, China Datang Group will enter into agreements with the Group under the Renewed Integrated Product and Service Framework Agreement.

Only in exceptional circumstances, such as in case of reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent procurement demand by China Datang Group, bidding procedures can be skipped by China Datang Group where China Datang Group will search in its database for projects of a similar nature and make reference to recent bidding prices for comparable products. Usually the price is ascertained as the averaged amount of these recent bidding prices with reasonable fluctuations. However, if no recent bidding prices for comparable products can be found in its database, China Datang Group will make reference to prices of products of the similar nature published on official bidding websites operated by the Chinese government to ascertain the price.

Meanwhile, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider providing relevant products to such third party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors including but not limited to price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.

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(b) *Products and services to be procured by the Group from China Datang Group*

In most circumstances where the Group purchases products and/or services from China Datang Group, bidding procedures shall apply for determination of the price. Only in exceptional circumstances, bidding procedures can be skipped by the Group. These circumstances primarily include (a) reoccurrence of lack of sufficient number of bidders attending the bidding procedure; and (b) urgent procurement demand by the Group that does not allow the bidding procedure to be completed.

- *The pricing policy for service procurement business:* In respect of the ancillary services under the concession operations of desulfurization and denitrification and water treatment, the price shall be determined based on the relevant labour costs, the relevant management expenses and the equipment maintenance fees associated with the relevant power plants after taking into account the average level of the industry. If no bidding process is conducted, apart from making reference to prices on official bidding websites, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider purchasing relevant ancillary services from such third party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors including but not limited to price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.
- *The pricing policy for other service procurement businesses:* In most circumstances where the Group purchases services from China Datang Group, bidding procedures shall be applied for the determination of prices. Only in exceptional circumstances, bidding procedures can be skipped by the Group where the purchasing price shall be determined by experts of the Group based on fair market value and historical records of procurement price.
- *The pricing policy for supply of water, electricity and steam:* In accordance with the Renewed Integrated Product and Service Framework Agreement, the price of the products, primarily, water, electricity and steam supplied by power plants under China Datang Group to the Group, will be determined based on the actual costs incurred by power plants when supplying such products to third-party desulfurization and denitrification concession operation service providers per the government's prescribed requirements.
- *The pricing policy for procurement of equipment and raw materials:* In respect of the procurement of equipment and raw materials, in most circumstances, bidding procedures shall apply for determination of the purchasing price. Such price is the bidding price provided by the bid-winner. China Datang Group will charge a fee (the "Service Fee") not exceeding 6% of the purchasing price. The Service Fee shall be determined on the basis of the actual scope of services provided by an independent third party service provider and the pricing standard of the relevant services and materials. The Service Fee shall be fairly agreed between the parties and shall not exceed the fee charged for

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similar services provided by China Datang Group to an independent third party or its affiliated entities. Upon the execution of the relevant procurement contract, the Supply Chain Management Department (供應鏈管理部) will review and approve the Service Fee and ensure that it will not exceed 6% of the relevant purchasing price. Only in exceptional circumstances, such as in case of urgent procurement demand of the Group, bidding procedures can be skipped by the Group where the purchasing price shall be determined by experts of the Group based on fair market value and historical records of procurement price.

Reasons for and Benefits of entering into the Renewed Integrated Product and Service Framework Agreement

China Datang Group and the Group have a long-term, stable business relationship. The parties are mutually familiar with each other's business demands and are able to supply the products and services needed by each other. The Directors believe that maintaining a stable and quality business relationship with China Datang Group will facilitate its current and future business operations.

Based on the previous experience in business dealings with China Datang Group, the Company believes that the Group and China Datang Group are capable of effectively satisfying each other's stable and high-quality demands for relevant businesses, which is in the interests of the Group and the Shareholders as a whole.

Based on the above, the Directors (including independent non-executive Directors) are of the view that the terms of the Renewed Integrated Product and Service Framework Agreement and the transactions contemplated thereunder are entered into based on arm's length negotiations, in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition, we believe that the Renewed Integrated Product and Service Framework Agreement would not give rise to reliance issue of the Company with its connected persons and controlling shareholder in that (i) deriving the majority of revenue from the holding company is in line with the general market practice of other leading market players of concession operations in the environmental protection industry; (ii) the historical transaction amounts of the service provision business have been decreasing from approximately RMB4,057.9 million (representing approximately 76.2% of total revenue) for the year ended 31 December 2022 to approximately RMB4,046.2 million (representing approximately 70.7% of total revenue) for the year ended 31 December 2023, and further down to approximately RMB1,788.5 million (representing approximately 68.7% of total revenue) for the six months ended 30 June 2024, where as the relevant proportions to the total revenue were floating within a range of approximately 68% to 77%; and (iii) the historical transaction amounts of the engineering business increased from approximately RMB627.1 million (representing approximately 11.8% of total revenue) for the year ended 31 December 2022 to approximately RMB923.1 million (representing approximately 16.1% of total revenue) for the year ended 31 December 2023, but down to only approximately RMB211.9 million (representing approximately 8.1% of total revenue) for the six months ended 30 June 2024. The Group expects to continue to diversity our revenue source in the future.

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Based on the above, the Directors (including independent non-executive Directors) are of the view that the transactions contemplated under the Renewed Integrated Product and Service Framework Agreement will not result in any undue reliance by the Company on its connected persons or controlling shareholder.

Relevant Internal Control Measures of the Renewed Integrated Product and Service Framework Agreement

We have implemented the following internal control procedures to closely monitor and manage new and on-going connected transactions with China Datang Group:

- The Board has approved the estimated annual caps of connected transactions with China Datang Group for each of its business segments for the three years ending 31 December 2025, 2026 and 2027, which were proposed by the Securities and Capital Department (證券資本部) based on the Group's business demands and China Datang Group's project plans and their estimated completion time and progress.
- At the beginning of each calendar year, the Securities and Capital Department will issue an internal notice circulating the annual caps of connected transactions with China Datang Group for that particular year and remind each member and department of the Group to follow internal control procedures for the control of transaction value with China Datang Group in daily business operations.
- The Securities and Capital Department is responsible for maintaining and updating the list of connected persons of the Group. Such list will be circulated to members and relevant departments of the Group on a regular basis.
- Business contracts of the Group are negotiated by the departments in charge which are subject to review and approval by the Connected Transaction Review Department (關聯交易審核部門) before execution. Before submitting any new business contract to the Connected Transaction Review Department, the department in charge is required to check the identity of each party to such contract against the latest list of connected persons of the Group. If any party is identified as a connected person, the department in charge will initiate the special application procedures ("**Connected Transaction Identification Process**") and submit the required information of the proposed transaction to the Connected Transaction Review Department for review and approval. The Connected Transaction Review Department has adopted stringent control policies in reviewing and approving connected transactions, including, cross checking relevant information of the projects (e.g. transaction amounts, expected project completion date and progress) against the annual caps. If the proposed transaction is generally consistent with the Connected Transaction Review Department's planning, usually such contract can proceed to execution. If there exists significant difference between the annual caps and the value of the proposed contract, the Connected Transaction Review Department will check against the monthly report provided by the Finance Department for assessment on whether the value of the proposed contract would potentially cause the actual total transaction value to exceed the annual caps of that year. In the case that the proposed contract is expected to potentially cause the total actual transaction value to exceed

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the annual caps of that year, the Connected Transaction Review Department usually will not approve such contract to proceed to execution. In the case that any proposed transaction may potentially cause the actual total transaction value to exceed the annual caps, if the Connected Transaction Review Department considers such transaction has great commercial value or other significant benefits to the Group, it may escalate to senior management of the Company or the Board for decision making by going through relevant corporate governance procedures in compliance with relevant rules and regulatory requirements. In the event that the Company decides to proceed with the proposed transactions, it would be required to seek Shareholders' approval for revision of the annual caps in accordance with the requirements under the Listing Rules.

- The Securities and Capital Department has set up a monthly reporting system for connected transactions, which requires all members and departments of the Group to report in the beginning of each month, among others, (i) the amount of connected transactions occurred in the previous months; (ii) the accumulative connected transaction amount occurred in that year; and (iii) the expected transaction amount for the rest of the year. If the accumulative connected transaction amount has proportionately exceeded the annual caps of the year in a substantial manner or if the accumulative connected transaction amount occurred together with the expected transaction amount for the rest of the year will exceed the annual caps, the relevant member or department of the Group is required to report to the Securities and Capital Department the reasons for deviation and the proposed rectification measures. Subsequently, the Securities and Capital Department will notify the Connected Transaction Review Department of such deviation or potential deviation by the relevant member or department, and the Connected Transaction Review Department will closely monitor and control the approval of new business contracts for the relevant member or department.
- Furthermore, the Group has adopted relevant assessment standards in its employee performance evaluation system, where each department and employee will be evaluated on their contribution in terms of exploring independent contracts and controlling the amount and ratio of connected transactions, which has direct impact on their remuneration.
- The independent non-executive Directors and the Company's auditors will review annually the enforcement of relevant continuing connected transactions under the Renewed Integrated Product and Service Framework Agreement and provide annual confirmations in accordance with the Listing Rules that relevant continuing connected transactions are conducted in accordance with the terms of the Renewed Integrated Product and Service Framework Agreement, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

Independence of Business Operations of the Group

The Group possesses sufficient capital, property, equipment, technology and human resources to operate its business independently, and holds qualifications that are necessary for the Group's principal businesses.

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As stated in this circular, the Group conducted certain continuing connected transactions with China Datang Group. In addition, we expect that the Group will continue to carry out certain continuing connected transactions with China Datang Group in the future. Notwithstanding such continuing connected transactions between the Group and China Datang Group, the Directors believe that the Group is able to operate independently from China Datang Group and the Company should continue to maintain a strong relationship with China Datang Group for the following reasons:

- ***Industry landscape/mutual and complementary relationship***

In the area of environmental protection, the Group's customers are mainly large-size state-owned power groups in the coal-fired power industry. In China market, the coal-fired power industry is highly concentrated, with the top five power groups ("**Big Five**"), contributing more than 50% of the total market share in terms of accumulated installed capacity, and China Datang Group ranked the fourth largest company with approximately 7% of market share in terms of cumulative installed capacity as of 2023. It is common for the Big Five to establish their own affiliates engaging in concession operations, EPC services and other environmental protection and energy conservation services to perform activities within their respective groups. For example, among the Big Five, China Huadian Corporation (中國華電集團公司), China Power Investment Corporation (中國電力投資集團公司), China Guodian Corporation (中國國電集團公司) and China Huaneng Corporation (中國華能集團公司) have all established their own affiliates engaging in concession operations, EPC services and other environmental protection and energy conservation services which primarily transacted with entities within their respective groups. Therefore, China Datang Group is one of the largest potential customers in the industry that the Group is operating in. On the other hand, the Group is a leading environmental protection and energy conservation solutions provider in the PRC. Therefore, the historical amounts of connected transactions between the Group and China Datang Group reflect the market position of both parties in the respective industries and it is important that the Group continues to maintain a healthy business relationship with China Datang Group given its market position as one of the leading groups in its industry in China.

Furthermore, along with the more and more stringent standards for target emission in the environmental protection and energy conservation industry established by the Chinese government, coal-fired power plants have increasing demands for environmental protection and energy conservation services from market players, primarily large-size state-owned power groups in the coal-fired power industry including China Datang Group. Given the Group's established relationship with China Datang Group, its experience with the quality of the Group's services and market position of the Group in the environmental protection and energy conservation solutions industry, the Company believes that it is commercially sensible for China Datang Group to continue to purchase products and services from the Group. Also, as China Datang Group is one of the largest customers in the industry of environmental protection and energy conservation solutions, the Company believes that it would not be commercially sensible for the Group to reduce its amount of products and services provided to China Datang Group.

Therefore, the business relationship between China Datang Group and the Group is a mutually beneficial arrangement.

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- *Nature of business*

By 31 December 2023, a substantial part of the Group's revenue under the desulfurization and denitrification concession operations was derived from transactions with China Datang Group, which is in line with the general market practice of other leading market players of concession operations in the environmental protection industry. Further, the Big Five occupied more than 50% of coal-fired power industry in terms of accumulated installed capacity and have their own subsidiary companies to conduct the concession operation business, which has become the market practice in this industry as few projects are being operated by independent third party companies. Furthermore, the business model of concession operations has been encouraged by national policies in the PRC. Under such a business model, professional service providers invest in the construction and installation or acquisition of desulfurization and denitrification equipment of power plants in exchange for (i) on-grid tariff for electricity generated by the power plants based on the fixed rate of the grid operator; and (ii) revenue from the sales of by-products produced by the operation of desulfurization and denitrification equipment in light of a series of policies promulgated by NDRC and/or MEE. Under the unique business model of concession operations, according to the relevant policies, on-grid tariff subsidies for the electricity generated by the power plant are government-prescribed prices paid by the power grid operator to the Group through the power plant. Consistent with the general market practice in the environmental protection and energy conservation industry, the Group has adopted such a business model in the provision of desulfurization and denitrification concession operation services to power plants affiliated to China Datang Group. Given the unique business model of concession operations which differentiates from other connected transactions, if not taking into account of revenue generated from the concession operations, the Group's revenue generated from transactions with China Datang Group represented approximately 16.3%, 14.7% and 17.3%, respectively, of the Group's total revenue for each of the three years ended 31 December 2021, 2022 and 2023, respectively.

- *Largest customer on an aggregated basis*

Although the Company has aggregated the revenue derived from transactions with China Datang Group, there were actually more than 250 different legal entities under the China Datang Group's umbrella which were the Group's customers. Multiple subsidiaries or power plants of China Datang Group select their own suppliers independently by going through their own internal evaluation and bidding procedures. For the years ended 31 December 2021, 2022 and 2023, revenue from the top five customers accounted for approximately 24.8%, 24.0% and 28.6% of the total revenue of the Group, respectively.

- *Expansion of customer base*

The Group has established its own marketing capabilities to focus on building and reinforcing its image and reputation in the industry for a larger market share and has independent access to customers which are independent third parties through its own marketing network and has achieved continuous success in exploring independent third party customers.

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For the year ended 31 December 2023, the total value of products and services provided by the Group to China Datang Group (other than concession operations) was approximately RMB990 million, representing only approximately 17.3% of the total revenue of the Group. For the year ended 31 December 2022, the total value of the services provided by the Group to China Datang Group under the concession operations (desulfurization and denitrification) was approximately RMB4,129 million, representing only approximately 72.2% of the total revenue of the Group.

In addition, the Group has been actively expanding its independent third party customer base. For instance, in 2021, the Group launched its first desulfurization and denitrification concession operation for a customer other than the China Datang Group, despite the market practice for major players in the coal-fired power sector, particularly the Big Five, to have their subsidiaries handle such concession operations. Despite this market practice, by 31 December 2023, the Group successfully expanded to three such projects for external customers.

- ***Diversification of business and adaptability of business model***

The Group has four business segments, and products and services provided by the Group to China Datang Group cover all these business segments. As a result, the diversification of business lowers the Group's customer concentration risk. In addition, the Group's business model has been adapted to accommodate business dealings with independent customers. For instance, in environmental protection and energy conservation industries in the PRC, customers increasingly consider suppliers' professional expertise, technological capabilities and quality of comprehensive services. We believe that the Group has built up its own brand name and market position in the industries it conducts business, with its research and development abilities, technology support, quality and reputation of products and services, as well as marketing capabilities, which would facilitate the Group to continue to source independent customers.

The Group has been actively implementing strategies to reduce customer concentration risk. For the business segment of environmental protection and energy conservation solutions, which is currently the largest segment, the Group has successfully expanded to three concession operation projects with non-related parties and aims to further increase this number. For catalyst business, sales to non-related parties already account for nearly 50% of total sales volume, with plans to further expand external market share. For environmental protection and water treatment engineering, the Group continues to actively participate in external market competition to increase the proportion of non-related party business. For the business segment of renewable energy engineering, the Group has strategically transformed its business model from EPC contracting to focusing on design-led engineering technical services. This new model leverages the Group's renewable energy design institute's (新能源設計院) competitive advantages and is expected to better penetrate external markets.

For the other two business segments of the Group of thermal power engineering and other businesses, these segments represent a very small portion of the Group's total business and have minimal impact on overall concentration risk

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Given the success in expanding catalyst sales to external customers and securing concession projects with non-related parties, the Directors consider the Group's strategic initiatives to diversify its customer base and transform its business models demonstrate measurable progress toward reducing concentration risk over time.

In addition, the Company has also adopted a series of corporate governance practices, such as the Rules of Procedures of Shareholders Meeting, the Rules of Procedures for the Board Meeting, the Rules of Procedures for the Supervisory Committee's Meeting and the management system for connected transactions.

Based on the foregoing grounds, the Directors are of the belief that the Group can operate its business independently from China Datang Group.

Listing Rules Implications

As China Datang directly held approximately 78.96% of the issued share capital of the Company as at the Latest Practicable Date, it is a controlling shareholder of the Company. Pursuant to Chapter 14A of the Listing Rules, China Datang is therefore a connected person of the Company. Accordingly, the Renewed Integrated Product and Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions calculated with reference to the proposed annual caps are more than 5%, the Renewed Integrated Product and Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Xu Chun, Mr. Pang Xiaojin, Mr. Xia Huaixiang and Mr. Chu Hongbo are holding positions in China Datang or its subsidiaries and therefore have abstained from voting at the relevant Board meeting approving the Renewed Integrated Product and Service Framework Agreement, and the transactions contemplated thereunder. Save as mentioned above, all Directors have confirmed that they have no material interests in the Renewed Integrated Product and Service Framework Agreement and the transactions thereof.

II. RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT

Introduction

As the Existing Financial Services Framework Agreement will expire on 31 December 2024, on 11 December 2024, the Company entered into the Renewed Financial Services Framework Agreement with Datang Capital, which renews the financial leasing service and commercial factoring service of the Existing Financial Services Framework Agreement. According to the Renewed Financial Services Framework Agreement, Datang Capital agreed to provide the Company with commercial factoring service, asset securitization service, financial leasing, sales and leaseback service, entrusted loan service, operating lease, brokerage and consultation service in relation to transfer of property rights and assets and bespoke financial service solution (collectively, the "**Financial Framework**

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Services”). Both parties agreed that such agreement shall be effective from 1 January 2025 and expiring on 31 December 2027. Details of the Renewed Financial Services Framework Agreement are set out as follows.

Date: 11 December 2024

Parties: (1) Datang Capital; and
(2) the Company

Term: Effective from 1 January 2025 until 31 December 2027

Principal terms: According to the Renewed Financial Services Framework Agreement, Datang Capital agreed to provide the Company with commercial factoring service, asset securitization service, financial leasing, sales and leaseback service, entrusted loan service, operating lease, brokerage and consultation service in relation to transfer of property rights and assets and bespoke financial service solution.

In respect of the abovementioned transactions under the Renewed Financial Services Framework Agreement, the Company and/or its subsidiaries and Datang Capital and/or its subsidiaries may enter into separate specific contracts in compliance with the Renewed Financial Services Framework Agreement as stipulated in the Renewed Financial Services Framework Agreement.

Proposed Annual Caps

Commercial Factoring Service

Commercial factoring service refers to a set of financial solutions provided under a factoring agreement between a factor and a supplier, where services of which typically include financing, credit risk management, receivables management and collection services. Under the factoring arrangement, the factor assumes the supplier’s accounts receivable and facilitates payments on behalf of the purchaser. In the event of a default by the purchaser, the factor assumes responsibility for payment to the supplier. The proposed annual caps of commercial factoring service under the Renewed Financial Services Framework Agreement (including the maximum daily balance, handling fees and outstanding interest fee) for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB2,000 million, RMB2,000 million and RMB2,000 million respectively.

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Financial Leasing Service

The proposed annual caps of financial leasing service under the Renewed Financial Services Framework Agreement (including the maximum daily balances of leasing principal, outstanding interest fee and handling fee) for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB1,000 million, RMB1,000 million and RMB1,000 million respectively.

Entrusted Loan Service

Entrusted loan service refers to the trust business in which a trust institution accepts the entrustment of a principal, and within the limits of the entrusted deposit deposited by the principal, grants loans according to the designated target, purpose, term, interest rate and amount as specified by the principal. The trust institution is also responsible for recovering the principal and interest of the loan on behalf of the principal at maturity. The proposed annual caps of entrusted loan service under the Renewed Financial Services Framework Agreement (including the maximum daily balance, handling fees and outstanding interest fee) for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB1,000 million, RMB1,000 million and RMB1,000 million respectively.

As of 30 June 2024, the payable principal and interests of bank loans of the Group due within 1 year amounted to approximately RMB2,007 million in aggregate, and the payable principal and interests of bank loans of the Group due between 1-2 years amounted to approximately RMB941 million in aggregate. The total amount of banks loans due within 1 year and between 1-2 years will be approximately RMB2,948 million. Upon maturity of such bank loans, the Group expects to perform refinancing to cover the abovementioned bank loans as well as the fresh working capital for expanding the business of the Group. As the Group is gradually promoting business transformation with its capital expenditure growing rapidly, it needs to expand financing channels to meet its financing needs.

The rest of the services under the Renewed Financial Services Framework Agreement, namely, asset securitization service, sales and leaseback service, operating lease, brokerage and consultation service in relation to transfer of property rights and assets and financial service solution (the “**Other FSFA Financial Services**”) will have proposed annual caps with relevant applicable percentage less than 0.1%.

Given the above, taking into account (i) the commercial factoring service under the Renewed Financial Services Framework Agreement enables the Group to convert its trade and bill receivables into liquidity, whereas the Group has trade and bill receivables of approximately RMB7,400 million as of 30 June 2024; (ii) the national directives for state-owned enterprises to develop and invest in strategic emerging industries, the financing of which is generally not supported by commercial banks and has to obtain financing through methods such as lease financing and entrusted loans; (iii) the abovementioned amount of principal and interests to be repaid upon maturity of the bank loans of the Group; (iv) the expected decreasing amount of bank loans and higher interest rate level to be obtained by the Group in the future for refinancing the abovementioned bank loans and for the expanding business of the Group; and (v) the relevant terms of the Financial Framework Services provided by

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Datang Capital to accommodate the Group's need for financing, the Group has determined the proposed annual caps of the Financial Framework Services under the Renewed Financial Services Framework Agreement, respectively.

Historical Transaction Amounts and the Utilisation Rates of the Historical Annual Caps

The historical transaction amounts of each transaction under the Existing Financial Services Framework Agreement for the years ended 31 December 2022, 2023 and six months ended 30 June 2024, the historical annual caps for the two years ended 31 December 2023 and the year ending 31 December 2024 and the respective utilisation rates are as follows:

Type of transactions	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024
		<i>(RMB '000)</i>	
Commercial factoring service (Note 1)			
Historical transaction amounts	0	0	0
Historical annual caps	2,000,000	2,000,000	2,000,000
			<i>(Note 2)</i>
Utilisation rates	0%	0%	0%
			<i>(Note 3)</i>
Financial leasing service			
Historical transaction amounts	181,989	163,894	166,423
Historical annual caps	1,060,000	1,060,000	1,060,000
			<i>(Note 2)</i>
Utilisation rates	17.2%	15.5%	15.7%
			<i>(Note 3)</i>
Entrusted loan service (Note 1)			
Historical transaction amounts	0	0	0
Historical annual caps	1,000,000	1,000,000	1,000,000
			<i>(Note 2)</i>
Utilisation rates	0%	0%	0%
			<i>(Note 3)</i>

Notes:

- (1) The historical maximum daily balance of the commercial factoring services and entrusted loan services for the years ended 31 December 2022, 2023 and six months ended 30 June 2024 are none.
- (2) Refers to the historical annual cap for the year ending 31 December 2024.
- (3) The utilisation rate is calculated by taking the actual transaction amounts for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the historical annual cap for the year ending 31 December 2024 for illustration purposes.

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The reasons for the low utilisation rates of the existing annual caps for the commercial factoring service and financial leasing service are that these two financing methods are mainly used as back-up financing methods for the Company to prevent and control capital risks and ensure cash flow security. Since their financing costs might at times be higher than commercial bank loans and open market bonds, they are not the preferred financing methods of the Company. In addition, the Company has maintained strong liquidity over the past three years, and there have been no circumstances requiring a large-scale utilisation of the back-up financing methods.

Pricing Policy

(1) *Commercial factoring service under the Renewed Financial Services Framework Agreement*

The comprehensive interest rate relating to the commercial factoring service provided by Datang Capital to the Group shall be based on fair and reasonable market pricing and normal commercial terms. In particular, the rate shall not be higher than the interest rate level provided by independent third parties to the Group for the same type of service during the same period or the interest rate of the same type of service provided by Datang Capital to third parties with same credit rating.

(2) *Financial leasing service under the Renewed Financial Services Framework Agreement*

The rent paid by the Group to Datang Capital includes (i) procurement costs; and (ii) interests. The relevant interests are determined based on the benchmark interest rates for loan as implemented by the PBOC.

(3) *Entrusted loan service under the Renewed Financial Services Framework Agreement*

The entrusted loan interest paid by the Group to Datang Capital includes (i) procurement costs; and (ii) interests. The relevant interests are determined based on the benchmark interest rates for loan as implemented by the PBOC.

Reasons for and Benefits of the Transactions under the Renewed Financial Services Framework Agreement

(1) *Commercial factoring service and asset securitization service*

The transactions under the commercial factoring service and asset securitization service will help the Company optimize its asset structure, accelerate the efficiency of asset turnover, save costs, improve the efficiency of capital use, broaden the financing channels, and reduce financing costs, which is in line with the overall development strategies of the Company and is in the interests of the Company and the Shareholders as a whole.

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(2) *Financial leasing service, sales and leaseback service, entrusted loan service and operating lease service*

Datang Capital is a professional financial leasing service, sales and leaseback service, entrusted loan service and operating lease service provider. Based on the needs of business operations, the Group negotiated with Datang Capital in respect of the abovementioned service arrangements on normal commercial terms.

(3) *Brokerage and consultation service in relation to the transfer of property rights and assets and bespoke financial service solution service*

Datang Capital provides professional brokerage and consultation service in relation to the transfer of property rights and assets and financial service solution. Based on the needs of business operations, the Group negotiated with Datang Capital in respect of the abovementioned service arrangements on normal commercial terms.

Based on the above, the Directors (including independent non-executive Directors) are of the view that the terms of the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder are entered into based on arm's length negotiations, in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Relevant Internal Control Measures of Continuing Connected Transactions

For the Company's internal control procedures that are implemented to closely monitor and manage new and on-going connected transactions with China Datang Group, please refer to the information provided under the subsection headed "Relevant Internal Control Measures of the Renewed Integrated Product and Service Framework Agreement" on page 20 of this circular.

In addition, we have implemented the following internal control procedures to ensure that the relevant interests rates offered by Datang Capital are no less favourable to the Company than those quoted by PBOC or offered to third parties by Datang Capital:

- The financial management department of the Company is responsible for tracking and monitoring the implementation of the continuing connected transactions under the Renewed Financial Services Framework Agreement.
- The financial management department of the Company is responsible for collecting information and monitoring the prices of the continuing connected transactions, assessing the fairness and reasonableness of the terms of the transactions, including the pricing terms, by obtaining information on the relevant transactions and their respective rates and terms from three other financial institutions in the PRC which are independent of the Company and its connected persons, and comparing them with the benchmark interest rates for term loans issued by the PBOC. This is to ensure that the terms are on normal commercial terms, are no less favourable than those available to or from independent third parties, and are in line with the pricing policy of the Renewed Financial Services Framework Agreement.

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- In addition, the Company has established a continuing connected transactions management account and arranged for a designated person to manage and maintain it for the purpose of monitoring the amount of the transactions in respect of the proposed annual caps under the Renewed Financial Services Framework Agreement. For continuing connected transactions that are expected to exceed their annual caps, the Company will re-comply with the necessary approval procedures under the Listing Rules in this regard.

Listing Rules Implications

As China Datang directly held approximately 78.96% of the issued share capital of the Company as at the Latest Practicable Date, it is a controlling shareholder of the Company. Datang Capital is a wholly-owned subsidiary of China Datang. Pursuant to Chapter 14A of the Listing Rules, Datang Capital is therefore a connected person of the Company. Accordingly, the Renewed Financial Services Framework Agreement and the transactions thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions (including financial leasing service and commercial factoring service) calculated with reference to the relevant proposed annual caps under the Renewed Financial Services Framework Agreement are more than 5%, the Renewed Financial Services Framework Agreement, the transactions contemplated thereunder and the proposed annual caps thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions (including commercial factoring service, financial leasing service and entrusted loan service) calculated with reference to the relevant proposed annual caps under the Renewed Financial Services Framework Agreement exceed 25% but less than 100%, the transactions contemplated under the Renewed Financial Services Framework Agreement constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Regarding the Other FSFA Financial Services to be provided by Datang Capital to the Group, each of the percentage ratio(s) is below the de minimis threshold set out in Rule 14A.76 of the Listing Rules, therefore the provision of the Other FSFA Financial Services by Datang Capital to the Group is exempt from the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules, where applicable, if the transaction amount of the Other FSFA Financial Services to be provided by Datang Capital to the Group under the Renewed Financial Services Framework Agreement exceeds the de minimis threshold stipulated in Rule 14A.76 of the Listing Rules.

Mr. Xu Chun, Mr. Pang Xiaojin, Mr. Xia Huaixiang and Mr. Chu Hongbo are holding positions in China Datang or its subsidiaries and therefore have abstained from voting at the relevant Board meeting approving the Renewed Financial Services Framework Agreement and the transactions thereunder. Save as mentioned above, all Directors have confirmed that they have no material interests in the Renewed Financial Services Framework Agreement and the transactions thereunder.

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III. DEPOSIT SERVICES UNDER THE RENEWED FINANCIAL SERVICES AGREEMENT

As the Existing Financial Services Agreement will expire on 31 December 2024, the Company and Datang Finance entered into the Renewed Financial Services Agreement on 11 December 2024, with a term commencing from 1 January 2025 and ending on 31 December 2027, which renews the services under of the Existing Financial Services Agreement. Deposit Services contemplated under the Renewed Financial Services Agreement constitute continuing connected transactions and a major transaction of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. Details of the Renewed Financial Services Agreement are set out as follows.

Date:	11 December 2024
Parties:	(1) Datang Finance; and (2) the Group
Term:	Effective from 1 January 2025 to 31 December 2027
Nature of Transaction:	The services to be provided by Datang Finance to the Group include loan services, the Deposit Services, and the Other Financial Services including financial and financing consultation and training services, bill acceptances and discounting services, fund settlement and payment services, entrustment loan and non-financing guarantee services, and financial consultation services for the Group's bond financing. Datang Finance has agreed to provide financial services to the Group at the Company's request or instruction provided that Datang Finance has obtained the relevant approval from the NAFR. Datang Finance shall ensure the stable operation of fund management system to safeguard the fund, and to supervise the credit risk so as to satisfy the payment demands of the Group. The Group, with information of market rates and in view of its own interests, has the discretion to determine whether or not to maintain business relationship with Datang Finance, or to obtain financial services from other financial institutions in the meanwhile.
Scope of Service:	i. loan services; ii. Deposit Services; and iii. Other Financial Services.

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Pricing Policy:

Datang Finance has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles:

- i. Loan services – Datang Finance, based on the interest rate quotation of the loan market and taking into comprehensive considerations of the factors such as the terms, classifications and industrial policies, determines the pricing. Under the same condition, the loan interest rate shall not be higher than the applicable interest rate for the same type of loan service provided by national commercial banks in the PRC to the Group;
- ii. Deposit Services – Under the same condition, the deposit interest rate provided by Datang Finance to the Group shall not be lower than the interest rate for the same type of deposit placed in national commercial banks in the PRC by the Group; and
- iii. Other Financial Services – Datang Finance provides other financial services to the Group at the rates which shall not be higher than those charged by other financial institutions in the PRC for the same or similar financial services.

Capital Risk Control Measures

Pursuant to the Renewed Financial Services Agreement, Datang Finance undertakes to take the following measures to control the capital risks:

- i. Datang Finance will ensure the safe and stable operation of the fund management information system, which has undergone the security test in respect of connection to the online commercial banking and has reached the national security standards for commercial banks. The system is equipped with the model awarded with CA safety certificate to secure the funds of the Group;
- ii. Datang Finance will ensure that it is in strict compliance with the risk monitoring indicators for financing companies issued by the NAFR and that its major regulatory indicators such as gearing ratio, interbank lending ratio, and liquidity ratio will also comply with the requirement of the NAFR; and
- iii. Any balance in the Group's deposits (after deducting the amount used for making entrusted loans and the loans made to the Group by Datang Finance) will be redeposited into one or more commercial banks in the PRC. The interests for the Group's call deposits will be settled

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at the negotiated savings interest rate as announced by the PBOC, which is higher than the interest rate for call deposits that the Group currently secures from other PRC commercial banks.

The Company will also adopt, among others, the following internal control and risk management measures to mitigate the financial risks which may be exposed to the Company under the Renewed Financial Services Agreement:

- i. The Company will regularly obtain and review quotes (i.e. savings interest rate, loan interest rate or fee quotes for the other financial services) from at least four other independent financial institutions and the then savings interest rate, negotiated savings interest rate or loan interest rate as published by the PBOC.

For the Deposit Services, in the event that the Company notes the then negotiated savings interest rate as announced by the PBOC is less than the then savings interest rate as published by the PBOC or offered by other independent financial institutions in the PRC, the Company will enter into an agreement with Datang Finance to ensure the deposit interest rate of the Deposit Services will be no less favourable than the then savings interest rate as published by the PBOC or offered by any other independent financial institution in the PRC. In the event that the Company notes that the actual deposit interest rate of the Deposit Services is less than the then negotiated savings interest rate as announced by the PBOC or offered by any other independent financial institution in the PRC, the Company will require Datang Finance to compensate the differences to the Company.

For the loan services provided by Datang Finance to the Group under the Renewed Financial Services Agreement, in the event that the Company notes that the actual loan interest rate of such loan services is higher than the then loan interest rate as announced by the PBOC or charged by any other independent financial institution in the PRC, the Company will require Datang Finance to compensate the differences to the Company.

For the Other Financial Services, in the event that the Company notes that the actual fee standards charged for provision of such services are higher than the then fee standards as offered by other independent financial institutions in the PRC, the Company will require Datang Finance to compensate the differences to the Company.

- ii. Before placing deposit, the Finance Department of the Company will check the outstanding daily balance of the deposits placed with Datang Finance to avoid exceeding the proposed annual caps for the Deposit Services.

Before making any loan, the Finance Department of the Company will check with Datang Finance to ensure that no security over the assets of the Group will be granted in respect of the loan services provided by Datang Finance to the Group under the Renewed Financial Services Agreement.

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Before provision of any of the Other Financial Services by Datang Finance, the Finance Department of the Company will check the transaction amount of the Other Financial Services. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules, where applicable, if the transaction amount of the Other Financial Services to be provided by Datang Finance to the Group exceeds the minimum amount under Rule 14A.76 of the Listing Rules.

- iii. On a monthly basis, the Finance Department of the Company will report to the management of the Company of any updates in relation to the continuing connected transactions. Such report principally covers (1) deposit balance and loan balance as of the end of the previous month; (2) new deposit and loan interest of the previous month; (3) deposit utilization plan and purposes for this month; and (4) loan repayment of principal and interest of this month and the source of funds.
- iv. The independent non-executive Directors and the Company's auditors will review annually the enforcement of relevant continuing connected transactions under the Renewed Financial Services Agreement and provide annual confirmations in accordance with the Listing Rules that relevant continuing connected transactions are conducted in accordance with the terms of the Renewed Financial Services Agreement, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

The Directors (excluding the Directors who are required to abstain, but including the independent non-executive Directors) consider that the above capital risk control measures are adequate to cover the risks involved in relevant continuing connected transactions with Datang Finance.

Proposed annual caps and the basis thereof

Loan Services:

In view of the loan services provided by Datang Finance to the Group are on normal commercial terms which are similar to or more favourable than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules. As such, no cap has been set for such services.

Deposit Services:

The Company estimates that the proposed annual caps for the Deposit Services for the maximum daily deposit balance (including any relevant interest accrued therefrom) with Datang Finance for each of the years ending 31 December 2025, 2026 and 2027 is RMB4,000 million, after taking into account of the following factors:

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1. The balance of cash and cash equivalents of the Group amounted to approximately RMB1,539.0 million as of 30 June 2024;
2. The Company has applied to the National Association of Financial Market Institutional Investors for registration and issuance of ultra short-term financing bonds of no more than RMB3,000 million. The balance of deposit is expected to be close to the proposed annual caps for the Deposit Services of RMB4,000 million if the Company issues one-off ultra short-term financing bonds of more than RMB2,400 million and temporarily places all the proceeds into the Group's deposit account opened at Datang Finance;
3. The balance of trade, bills receivables and contract assets of the Group amounted to approximately RMB7,648.9 million as of 30 June 2024. The balance of deposit may also experience significant increase within a short term and will be close to the proposed annual caps for the Deposit Services of RMB4,000 million if the Group recovers a large amount of trade, bills receivables and contract assets within a short term and places the receivables and contract assets into the Group's deposit account opened at Datang Finance.

In view of the above, the proposed annual caps for the Deposit Services for the maximum daily deposit balance with Datang Finance of RMB4,000 million is a reasonable cap.

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Other Financial Services:

The Company expects that each of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the total fees payable by the Group to Datang Finance in respect of the Other Financial Services will fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, for which the Other Financial Services are exempt from reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, no cap has been set for such services. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules, where applicable, if the transaction amount of the Other Financial Services to be provided by Datang Finance to the Group under the Renewed Financial Services Agreement exceeds the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules. Among the Other Financial Services, Datang Finance will provide settlement services to the Group, free of charge. The Company confirms that there will not be any provision of financial assistance by the Company to Datang Finance under this arrangement. The Other Financial Services to be provided under the Renewed Financial Services Agreement will be on normal commercial terms and on terms comparable to or better than those for similar services provided by independent third parties in the PRC.

Historical transaction amounts and the Utilisation Rates of the Historical Annual Caps

The Renewed Financial Services Agreement renews the loan services, the Deposit Services and the Other Financial Services under the Existing Financial Services Agreement. The historical transaction amounts of the Deposit Services under the Existing Financial Services Agreement for the years ended 31 December 2022, 2023 and the six months ended 30 June 2024, the historical annual caps for the two years ended 31 December 2023 and the year ending 31 December 2024 and the respective utilisation rates are as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024
Historical transaction amounts	1,304,390	1,717,713	1,740,322
Historical annual caps	4,000,000	4,000,000	4,000,000
Utilisation rates	32.6%	42.9%	43.5%

(Note 1)

(Note 2)

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Notes:

- (1) Refers to the historical annual cap for the year ending 31 December 2024.
- (2) The utilisation rate is calculated by taking the actual transaction amounts for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the historical annual cap for the year ending 31 December 2024 for illustration purposes.

The reasons for low utilisation rate of the existing annual cap for Deposit Service are that the Company's accounts receivable recovery has been satisfactory in recent years, its cash flow position has continued to improve, and there have been no large-scale capital expenditure projects. Therefore, no financing activities such as bond issuance of a large amount have been undertaken, and no instantaneous substantial increase in the deposit balance has occurred.

Reasons for and Benefits of Entering into the Renewed Financial Services Agreement

Relevant continuing connected transactions will be conducted on normal commercial terms and on terms similar to or even more favourable than those available to the Company from independent third parties in the PRC. The Directors (including the independent non-executive Directors) are of the view that such transactions are beneficial to the Group and furthermore, the Group can earn interests or enjoy benefits through such transactions at the terms no less favourable than that offered by independent third parties.

Furthermore, due to the long-term relationship between the Group and China Datang Group, the Directors (including the independent non-executive Directors) consider that it is beneficial to the Company to enter into continuing connected transactions with companies affiliated to China Datang. They are familiar with the Group's operations and requirement on the products and services, and will be able to respond more quickly and in a more cost efficient manner to the requirements that the Group may have as compared with other financial institutions unrelated to China Datang Group.

In addition, as the customers of Datang Finance are limited to entities affiliated to China Datang and its subsidiaries under applicable laws and regulations, it reduces default risk and liquidity risk that Datang Finance may otherwise be exposed to if its customers include entities unrelated to China Datang. Such risk control measures adopted by Datang Finance are adequate to mitigate default risk and liquidity risk involved in receiving financial services from Datang Finance. Security of capital of the Group may be undermined in case of breach of contract or illiquidity of Datang Finance as the Group plans to place cash into its deposit account opened at Datang Finance. As such, Datang Finance's effective control over the breach of contract and liquidity risk will be conducive to the reduction of the Group's capital risk.

Therefore, the Directors (excluding the Directors who are required to abstain, but including the independent non-executive Directors) are of the view that the terms of the Renewed Financial Services Agreement and the transactions contemplated thereunder are entered into based on arm's length negotiations, in the ordinary course of business and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Relevant Internal Control Measures of Continuing Connected Transactions

For our internal control procedures that are implemented to closely monitor and manage new and on-going connected transactions with China Datang Group, please refer to the information provided under the subsection headed “Relevant Internal Control Measures of the Renewed Integrated Product and Service Framework Agreement” on page 20 of this circular.

Listing Rules Implications

As China Datang directly held approximately 78.96% of the issued share capital of the Company as at the Latest Practicable Date, it is a controlling shareholder of the Company. Datang Finance is a subsidiary of China Datang, and is therefore a connected person of the Company. Accordingly, the Renewed Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

Loan Services

The loan services to be provided by Datang Finance to the Group will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or more favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt from reporting, announcement and Independent Shareholders’ approval requirements under Rule 14A.90 of the Listing Rules.

Deposit Services

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the Deposit Services is more than 5%, the Deposit Services are subject to the reporting, annual review, announcement, and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The Company will disclose relevant details in the annual report and accounts of the Company to be published in the next year pursuant to the relevant requirements under Rule 14A.71 of the Listing Rules.

Further, given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Deposit Services under the Renewed Financial Services Agreement calculated with reference to the relevant proposed annual caps under the Renewed Financial Services Framework Agreement is more than 100%, the Deposit Service under the Renewed Financial Services Agreement is not a very substantial acquisition but constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Other Financial Services

In respect of the Other Financial Services to be provided by Datang Finance to the Group, each of the percentage ratio(s) is below the de minimis threshold set out in Rule 14A.76 of the Listing Rules, therefore the provision of the Other Financial Services by Datang Finance to the Group is exempt from the reporting, announcement and Independent Shareholders’ approval requirements of the

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Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules, where applicable, if the transaction amount of the Other Financial Services to be provided by Datang Finance to the Group under the Renewed Financial Services Agreement exceeds the de minimis threshold stipulated in Rule 14A.76 of the Listing Rules.

Opinions of the Directors

Mr. Xu Chun, Mr. Pang Xiaojin, Mr. Xia Huaixiang and Mr. Chu Hongbo, being the Directors holding positions with China Datang or its subsidiaries, have abstained from voting on the resolutions regarding the Renewed Financial Services Agreement and relevant continuing connected transactions at the Board meeting. Save as disclosed above, none of the Directors has any material interest in relevant continuing connected transactions.

In view of the interests of China Datang, which directly held approximately 78.96% of the issued share capital of the Company as at the Latest Practicable Date and thus is a connected person of the Company, in the continuing connected transactions, China Datang and its associates (including Datang Capital) are required to abstain from voting on the resolutions to be proposed at the 2024 Third EGM to approve the Deposit Services. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, save as disclosed in this circular, no other Shareholders will be required to abstain from voting in respect of the relevant resolutions.

GENERAL INFORMATION

Information on the Company

The Company is a non-wholly owned subsidiary of China Datang, and is the sole platform for the development of environmental protection and energy conservation business under China Datang Group, one of the five (5) major state wholly-owned power generation groups in the PRC. The principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy business.

Information on China Datang

China Datang is a state-owned enterprise established in the PRC in April 2003 and is the controlling shareholder of the Company and Datang Finance. China Datang is primarily engaged in the development, investment, construction, operation and management of power energy; organisation of power (thermal) production and sales; manufacture, maintenance and commissioning of electric power equipment; power technology development and consultation; contracting and consulting of electric power engineering and environmental protection projects; development of renewable power; and self-operating and being an agent for import and export of any kind of goods and technology save for those where the import or export of the goods and technology are restricted or prohibited by national laws and regulations.

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Information on Datang Capital

Datang Capital was established on 30 November 2011, and is a subsidiary of China Datang, the controlling shareholder of the Company. The main business scope is: investment management, asset management and investment consultation.

Information on Datang Finance

Datang Finance was officially established in the PRC as a non-bank financial institution in May 2005, and is a non-wholly owned subsidiary of China Datang. It is regulated by the NAFR and in compliance with laws and regulations concerning the non-bank financial institutions. Its primary business scopes are as follows: providing consultancy and agency service in relation to financial advisory, credit, visa and related services; assisting intra-group members in realising receipt and payment of transaction amount; providing approved insurance agency services; serving as guarantees for loans of intra-group members; handling entrusted loan and entrusted investment between intra-group members; handling bill acceptances and discounting for intra-group members; conducting internal transfer settlement between intra-group members and designing of corresponding settlement and liquidation plan; absorbing deposits from intra-group members; dealing with loan and financial leasing for intra-group members; dealing with inter-bank offered credit; issuing finance company bonds upon approval, underwrite corporate bonds of intra-group members, equity investments in financial institutions; and investment in negotiable securities, etc.

V. THE 2024 THIRD EGM

The notice of the 2024 Third EGM is set out on pages 99 to 101 of this circular. The 2024 Third EGM will be held at 2:00 p.m. on Monday, 30 December 2024 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC.

Please refer to this circular and the notice of the 2024 Third EGM of the Company dated 11 December 2024 for details of other resolutions to be considered at the 2024 Third EGM, qualification for attendance of the 2024 Third EGM, registration procedures, closure of register of members, voting and other related matters.

In accordance with the Listing Rules, any connected person or Shareholder and its associates with a material interest in the Continuing Connected Transactions must abstain from voting on the resolutions to approve the Continuing Connected Transactions (including the respective proposed annual caps).

In view of the interests of China Datang, which directly held 2,319,813,342 Domestic Shares (representing approximately 78.17% of the total issued share capital of the Company) and indirectly held 23,432,458 Domestic Shares (representing approximately 0.79% of the total issued share capital of the Company) through Datang Capital as at the Latest Practicable Date and thus is a connected person of the Company, in the Continuing Connected Transactions, China Datang and Datang Capital (being an associate of China Datang) are required to abstain from voting on the resolutions to be proposed at the 2024 Third EGM to approve the Continuing Connected Transactions and the transactions contemplated thereunder (including the respective proposed annual caps). As at the Latest

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Practicable Date, to the best knowledge, information and belief of the Directors, save as disclosed in this circular, no other Shareholders will be required to abstain from voting in respect of the relevant resolutions.

VI. RECOMMENDATION

The Board (excluding the Directors who are required to abstain, but including independent non-executive Directors) recommends the Shareholders to vote in favour of the relevant resolutions set out in the notice of the 2024 Third EGM as they are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
By order of the Board
Datang Environment Industry Group Co., Ltd.*
Zhu Liming
Chairman

* *For identification purpose only*



Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

11 December 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
(1) RENEWED INTEGRATED PRODUCT AND
SERVICE FRAMEWORK AGREEMENT;**

**CONTINUING CONNECTED TRANSACTIONS AND
MAJOR TRANSACTIONS –
(2) RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT;
AND
(3) DEPOSIT SERVICES UNDER THE RENEWED FINANCIAL SERVICES
AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 11 December 2024 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meaning in this letter unless the context otherwise requires.

Under the Listing Rules, the Continuing Connected Transactions constitute continuing connected transactions for the Company and are subject to the approval of the Independent Shareholders at the 2024 Third EGM.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the terms of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Deposit Services under the Renewed Financial Services Agreement, the transactions contemplated thereunder and the relevant proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement, the transactions

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

contemplated thereunder and the relevant proposed annual caps. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 45 to 88 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser as set out in the Circular. Having considered the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Deposit Services under the Renewed Financial Services Agreement, the transactions contemplated thereunder and the relevant proposed annual caps, and taken into account the advice of the Independent Financial Adviser, we consider that the Renewed Integrated Product and Service Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Deposit Services under the Renewed Financial Services Agreement have been negotiated on an arm's length basis and on normal commercial terms and that the terms of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Deposit Services under the Renewed Financial Services Agreement, the transactions contemplated thereunder and the relevant proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the 2024 Third EGM to approve the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Deposit Services under the Renewed Financial Services Agreement, the transactions contemplated thereunder and the relevant proposed annual caps.

Yours faithfully,

for and on behalf of

Independent Board Committee

Datang Environment Industry Group Co., Ltd.*

Mr. Mao Zhuanjian

*Independent non-executive
Director*

Mr. Suen Chun Hung, Benjamin

*Independent non-executive
Director*

Ms. Hu Yunqing

*Independent non-executive
Director*

* For identification purpose only

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

The following is the full text of the letter of advice from Trinity Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

TRINITY

Trinity Corporate Finance Limited

Room 102B, 1/F, Building 5W,
Hong Kong Science Park,
New Territories,
Hong Kong.

11 December 2024

*To the Independent Board Committee and the Independent Shareholders of
Datang Environment Industry Group Co., Ltd.*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTION –
(1) RENEWED INTEGRATED PRODUCT AND
SERVICE FRAMEWORK AGREEMENT;
CONTINUING CONNECTED TRANSACTIONS AND
MAJOR TRANSACTIONS –
(2) RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT; AND
(3) DEPOSIT SERVICES UNDER THE RENEWED FINANCIAL
SERVICES AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of Datang Environment Industry Group Co., Ltd. (the “**Company**” and its subsidiaries, collectively the “**Group**”) in respect of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the deposit services under the Renewed Financial Services Agreement (“**Deposit Services**”), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 11 December 2024 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, China Datang, which is the controlling shareholder of the Company, directly held approximately 78.96% of the issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, China Datang is therefore a connected person of the Company. Datang Capital is a wholly-owned subsidiary of China Datang. Pursuant to Chapter 14A of the Listing Rules, Datang Capital is therefore a connected person of the Company. Datang Finance is a subsidiary of China Datang, and is therefore a connected person of the Company. Accordingly, the Renewed Integrated Product and Service

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement and the respective transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions calculated with reference to the relevant proposed annual caps under the Renewed Integrated Product and Service Framework Agreement are more than 5%, the Renewed Integrated Product and Service Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions (including financial leasing service and commercial factoring service) calculated with reference to the relevant proposed annual caps under the Renewed Financial Services Framework Agreement are more than 5%, the Renewed Financial Services Framework Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the transactions (including commercial factoring service, financial leasing service and entrusted loan service) calculated with reference to the relevant proposed annual caps under the Renewed Financial Services Framework Agreement exceed 25% but are less than 100%, the transactions contemplated under the Renewed Financial Services Framework Agreement constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the Deposit Services is more than 5%, the Deposit Services are subject to the reporting, annual review, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will disclose relevant details in the annual report and accounts of the Company to be published in the next year pursuant to the relevant requirements under Rule 14A.71 of the Listing Rules. Further, given that one or more of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Deposit Services under the Renewed Financial Services Agreement calculated with reference to the relevant proposed annual caps under the Renewed Financial Services Agreement is more than 100%, the Deposit Services under the Renewed Financial Services Agreement is not a very substantial acquisition but constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

The 2024 Third EGM will be convened to consider and, if thought fit, to approve, inter alia, (i) the continuing connected transactions and proposed annual caps contemplated under the Renewed Integrated Product and Service Framework Agreement; (ii) the continuing connected transactions and proposed annual caps contemplated under the Renewed Financial Services Framework Agreement; and (iii) the continuing connected transactions and proposed annual caps contemplated under the Deposit Services of the Renewed Financial Services Agreement (the "**Continuing Connected Transactions**").

Mr. Xu Chun, Mr. Pang Xiaojin, Mr. Xia Huaixiang and Mr. Chu Hongbo, being the Directors holding positions with China Datang or its subsidiaries, have abstained from voting at the relevant Board meeting approving the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Renewed Financial Services Agreement and the transactions contemplated thereunder. Save as mentioned above, all Directors have confirmed that they have no

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

material interests in the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement, the Renewed Financial Services Agreement and the transactions thereof.

In view of the interests of China Datang, which directly held 2,319,813,342 Domestic Shares (representing approximately 78.17% of the total issued share capital of the Company) and indirectly held 23,432,458 Domestic Shares (representing approximately 0.79% of the total issued share capital of the Company) through Datang Capital as at the Latest Practicable Date and thus is a connected person of the Company, in the Continuing Connected Transactions, China Datang and Datang Capital (being an associate of China Datang) are required to abstain from voting on the resolutions to be proposed at the 2024 Third EGM to approve the Continuing Connected Transactions and the transactions contemplated thereunder (including the respective proposed annual caps). As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, save as disclosed in the Circular, no other Shareholders will be required to abstain from voting in respect of the relevant resolutions.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Mao Zhuanjian, Mr. Suen Chun Hung, Benjamin and Ms. Hu Yunqing, has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, the Group, Datang Capital, Datang Finance or China Datang Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between us and the Company, the Group, Datang Capital, Datang Finance or China Datang Group, except acting as independent financial adviser for Datang International Power Generation Co., Ltd. (“**Datang Power**”) in connection with the continuing connected transaction in relation to the 2023 factoring business cooperation agreement (details of which were set out in the circular of Datang Power dated 19 April 2023) and the continuing connected transactions in relation to the 2024 comprehensive financial services cooperation agreement (details of which were set out in the circular of Datang Power dated 29 May 2024), and acting as independent financial adviser for China Datang Corporation Renewable Power Co., Limited (“**Datang Renewable**”) in connection with the continuing connected transactions in relation to the renewal of financial services agreement and renewal of finance lease business framework agreement (details of which were set out in the circular of Datang Renewable dated 30 November 2023) and the connected transaction in relation to the capital increase agreement (details of which were set out in the circular of Datang Renewable dated 17 April 2024). Apart from normal professional fees paid or payable to us in connection with this appointment, and the appointments as disclosed above, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, the Group, Datang Capital, Datang Finance or China Datang Group. Accordingly, we are qualified to give independent advice in respect of the Continuing Connected Transactions pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular, and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company (and for which they are solely and wholly responsible), were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the 2024 Third EGM, Shareholders of the Company would be notified as soon as practicable.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the Continuing Connected Transactions. We have independently reviewed, inter alia, the 2023 annual report and 2024 interim report of the Company, the historical transaction amounts, the Letter from the Board and samples of contracts of the Company relating to the Existing Integrated Product and Service Framework Agreement, the Existing Financial Services Framework Agreement and the Existing Financial Services Agreement.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement and the respective annual caps applicable thereto and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes other than our role as the Independent Financial Adviser, without our prior written consent.

LETTER FROM TRINITY CORPORATE FINANCE LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the respective Continuing Connected Transactions, we have taken into account of the following principal factors and reasons:

I. INFORMATION OF THE COMPANY, CHINA DATANG, DATANG CAPITAL AND DATANG FINANCE

Information on the Company

The Company is a non-wholly owned subsidiary of China Datang, and is the sole platform for the development of environmental protection and energy conservation business under China Datang Group, one of the five major state wholly-owned power generation groups in the PRC.

The principal business of the Group includes environmental protection facility concession operation, denitrification catalysts, environmental protection facilities engineering, water treatment business, energy conservation business and renewable energy business.

Information on China Datang

China Datang is a state-owned enterprise established in the PRC in April 2003 and is the controlling shareholder of the Company and Datang Finance. China Datang is primarily engaged in the development, investment, construction, operation and management of power energy; organisation of power (thermal) production and sales; manufacture, maintenance and commissioning of electric power equipment; power technology development and consultation; contracting and consulting of electric power engineering and environmental protection projects; development of renewable power; and self-operating and being an agent for import and export of any kind of goods and technology save for those where the import or export of the goods and technology are restricted or prohibited by national laws and regulations.

Information on Datang Capital

Datang Capital was established in the PRC on 30 November 2011, and is a subsidiary of China Datang, the controlling shareholder of the Company. The main business scope is: investment management, asset management and investment consultation.

Information on Datang Finance

Datang Finance was officially established in the PRC as a non-bank financial institution in May 2005, and is a non-wholly owned subsidiary of China Datang. It is regulated by the NAFR and in compliance with laws and regulations concerning the non-bank financial institutions. Its primary business scopes are as follows: providing consultancy and agency service in relation to financial advisory, credit, visa and related services; assisting intra-group members in realising receipt and payment of transaction amount; providing approved insurance agency services; serving as guarantees for loans of intra-group members; handling entrusted loan and entrusted investment between intra-group members; handling bill acceptances and discounting for intra-group members; conducting

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internal transfer settlement between intra-group members and designing of corresponding settlement and liquidation plan; absorbing deposits from intra-group members; dealing with loan and financial leasing for intra-group members; dealing with inter-bank offered credit; issuing finance company bonds upon approval, underwrite corporate bonds of intra-group members, equity investments in financial institutions; and investment in negotiable securities, etc.

II. RENEWED INTEGRATED PRODUCT AND SERVICE FRAMEWORK AGREEMENT

As the Existing Integrated Product and Service Framework Agreement will expire on 31 December 2024 and the Company will continue to conduct the transactions under the Existing Integrated Product and Service Framework Agreement from 2025 to 2027, therefore, the Company entered into the Renewed Integrated Product and Service Framework Agreement with China Datang on 11 December 2024 in order to renew the relevant continuing connected transactions. Both parties agreed that such agreement shall be effective from 1 January 2025 and expiring on 31 December 2027.

According to the Letter from the Board, details of the Renewed Integrated Product and Service Framework Agreement are set out as follows:

Date: 11 December 2024

Parties: (1) China Datang; and
(2) the Company

Term: Effective from 1 January 2025 to 31 December 2027, and could be extended or renewed for three years as agreed by both parties within three months prior to expiry and subject to compliance with the relevant laws, regulations, regulatory documents and the Listing Rules.

Principal terms: According to the Renewed Integrated Product and Service Framework Agreement, (i) the Group provides China Datang Group with products and services including service provision business, such as, environmental protection facility concession operation, water treatment operation and energy management contracting, product business, such as, the sale of denitrification catalyst, and engineering business, such as, environmental protection facilities engineering business, renewable energy engineering and other services; and (ii) the products and services procured by the Group from China Datang Group include service procurement business, such as, operational ancillary services, information technology services, and other services, and equipment and raw material procurement business, such as, supply of water, electricity and steam, procurement of equipment and raw materials and other products and services.

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In respect of the abovementioned transactions under the Renewed Integrated Product and Service Framework Agreement, the Company and/or its subsidiaries and China Datang and/or its subsidiaries may enter into separate specific contracts in compliance with the Renewed Integrated Product and Service Framework Agreement as stipulated in the Renewed Integrated Product and Service Framework Agreement. If the terms and conditions of similar products and services provided by independent third parties are not favorable than that provided by one of the parties, then another party shall prioritize the procurement of products and services needed from the counterparty.

We consider that the above terms are fair and reasonable so far as the Independent Shareholders are concerned, as the Company will only prioritize the procurement of products and services to or from China Datang Group only if the terms and conditions of similar products and services provided by independent third parties are not more favorable than that provided by China Datang Group. In other words, terms of contracts entered into with China Datang will only be prioritized if they are on normal commercial terms or better and are beneficial to the Company and the Independent Shareholders as a whole.

Proposed Annual Caps

The proposed annual caps of each transaction under the Renewed Integrated Product and Service Framework Agreement for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

<i>(RMB'000)</i>	Type of transactions	Proposed annual caps for the year ending		
		31 December		
		2025	2026	2027
Provided by the Group to China Datang Group	Service provision business <i>(Note 1)</i>	4,782,000	4,853,000	4,903,000
	Product business <i>(Note 2)</i>	366,000	371,000	375,000
	Engineering business <i>(Note 3)</i>	1,123,000	874,000	989,000
Procured by the Group from China Datang Group	Service procurement business <i>(Note 4)</i>	370,000	373,000	375,000
	Equipment and raw material procurement business <i>(Note 5)</i>	1,751,000	1,795,000	1,822,000

Notes:

1. Service provision business mainly includes environmental protection facility concession operations (desulfurization and denitrification), water treatment operation, energy management contracting business, and renewable energy technology services.
2. Product business mainly includes the sale of denitrification catalyst and renewable catalyst.

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3. Engineering business mainly includes flue gas treatment engineering, water treatment engineering and renewable energy engineering.
4. Service procurement business mainly includes environmental protection facility concession operations, water treatment operation ancillary service and information technology services.
5. Equipment and raw material procurement business mainly includes supply of water, electricity and steam, procurement of equipment and raw materials and other products.

We have discussed with the Company and are given to understand that, in determining the abovementioned proposed annual caps for 2025 to 2027, the Board has taken into account the following factors: (i) the terms of the existing relevant agreements; (ii) the historical amounts of various relevant transactions; (iii) outstanding contracts of the Group and new contracts to be entered into by the Group in the coming three years and the value of such new contracts; and (iv) the expected future market price of relevant products and services based on market conditions.

Specifically for the various transactions under the Renewed Integrated Product and Service Framework Agreement, the determination of the respective proposed annual caps is based on the following considerations:

(a) *Products and services to be provided by the Group to China Datang Group*

Service provision business

We note that the proposed annual cap for the service provision business is RMB4.782 billion for the year ending 31 December 2025, slightly increasing by approximately 1.5% and 1.0% to RMB4.853 billion and RMB4.903 billion for the two years ending 31 December 2027 respectively.

The service provision business of the Group mainly includes environmental protection facility concession operations (desulfurization and denitrification), water treatment operation, energy management contracting business, and renewable energy technology services.

In terms of environmental protection facility concession operation, the unit price of on-grid electricity is determined based on the environmental electricity price benchmark issued by the NDRC, and in some cases, through the bidding process. For more information on the environmental electricity price benchmark, please refer to the paragraph headed “Pricing Policy – (a) Products and services to be provided by the Group to China Datang Group – The pricing policy for service provision business under the concession operations (desulfurization and denitrification) services” in this section below. Considering the continuous growth of China’s domestic economy and the increase in electricity demand, an increase in the output from coal-fired power generation is expected. Together with the cumulative installed capacity in desulfurization and denitrification concession operations of the Group as of 31 December 2023 being 50,210MW and 41,240MW, respectively, the power generation output of China Datang Group requiring desulfurization and denitrification are estimated to be 2,194 billion kWh, 2,216 billion kWh and 2,238 billion kWh for each of the three years ending 31 December 2027, respectively.

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We have reviewed the Company's annual report for the financial year ended 31 December 2023 and understand that in 2023, the Group recorded steady development in each business segment and maintained the leading position in business segments of environmental protection facility concession operation and denitrification catalysts. Also, based on the cumulative operating unit capacity as of 31 December 2023, the Group continued to maintain its position as the largest flue gas desulfurization and denitrification concession operator in the PRC. Based on the total output of denitrification catalysts in 2023, the Group remained as the PRC's largest producer of denitrification catalysts.

In 2023, all of the Group's desulfurization concession operation and denitrification concession operation projects under construction have transferred into operational stage in respect of the environmental protection facility concession operation business. While consolidating its leading position in the environmental protection field of thermal power segment, the Group actively developed environmental protection governance businesses in steel, cement, metallurgy and other non-electric fields to expand its business scope and influence.

In terms of water treatment operation, it is expected that the transaction amounts between the Group and China Datang Group in the next three years will maintain a similar level compared with that in 2023, while its percentage in the total operating income of the Group will still be relatively low.

In terms of energy management contracting business, it is expected that the transaction amounts between the Group and China Datang Group in the next three years will maintain a similar level as compared with that in 2023. It is a business model that the energy conservation companies provide energy conservation services to customers according to the energy conservation service contracts entered into with them, and recover the investment and gain profit from the energy efficiency achieved upon the completion of energy conservation facilities refurbishment.

In terms of renewable energy technology services, it is expected that the Group will undertake China Datang Group's renewable energy technology projects with the contract value expected to gradually increase over the three years ending 31 December 2027.

The proposed annual caps of the service provision business for the three years ending 31 December 2027 mainly include the ones of environmental protection facility concession operation, water treatment operation, energy management contracting business, and renewable energy technology services.

Given that the Group's existing environmental protection facility concession operation business is in a stable operating state, the environmental protection facility concession operation is estimated to remain at a constant rate with a slight increase for each of the three years ending 31 December 2027, where its proposed annual caps contribute to over 95% of the aggregate proposed annual caps of the service provision business. According to the Letter from the Board, the proposed annual caps for the environmental protection facility concession operation are calculated on the basis of the cumulative installed capacity in desulfurization and denitrification concession operations of the Group, the estimated projected power generation

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output of China Datang Group requiring desulfurization and denitrification concession operations, and the estimated unit price of approximately RMB0.021/kWh calculated using the weighted average method based on the number of project requiring for the three years ending 31 December 2027 with reference to the prevailing government-prescribed prices and permitted range. We have reviewed the Company's calculations relating to the weighted average estimated unit price which is based on the desulfurization electricity price, the denitrification electricity price and ultra-low emission tariff together with the allowable variations as disclosed in the respective websites at www.mee.gov.cn and www.ndrc.gov.cn, and consider that such calculations are fair and reasonable. We also confirm that it is fair and reasonable for the proposed annual caps to be based on the cumulative installed capacity for desulfurization and denitrification concession operations, which contributes over 95% of the proposed annual caps of the service provision business. We have reviewed a summary of the ongoing and committed projects requiring either or both desulfurization and denitrification services in each of the three financial years ending 31 December 2027 and confirm that the estimated total capacity of approximately 220 billion kWh is expected for each of the three years ending 31 December 2027. After review of the summary, we have no reason to doubt that the estimated installed capacity was not calculated by the Company after due and careful consideration and we consider that we have reviewed sufficient information to confirm that the projections are fair and reasonable. Based on the average unit price of RMB0.021/kWh as referred to in the above, this translates into a transaction value of approximately RMB4,620 million for each of the three financial years ending 31 December 2027, which is more than approximately 94% of the proposed annual cap for each of the three years ending 31 December 2027. Accordingly, we consider that the proposed annual cap for service provision business is fair and reasonable on the basis of the estimated project capacity in the next three financial years. We have also reviewed the annual report of the Company for the year ended 31 December 2023 and note that the Group's revenue from desulfurization and denitrification services amounted to approximately RMB4.32 billion, which represents the majority of approximately 80.4% of the total revenue of RMB5.37 billion.

In addition, it is expected that the existing projects for water treatment operation would contribute approximately RMB70 million to RMB75 million each year of the three years ending 31 December 2027. Similarly, with the existing projects in energy management contracting business, and taking into account that there is no intention to engage in new energy management contracting transactions with connected persons of the Company, the estimated transaction value will remain the same for the three years ending 31 December 2027. The estimated transaction value of renewable energy technology services is determined based on the contract value of the existing contracts on hand, and the estimated contract value of the projects to be undertaken by the Group for the three years ending 31 December 2027. As mentioned above, we have reviewed the annual report of the Company for the year ended 31 December 2023 and it is stated that the Group continued to be the largest desulfurization and denitrification concession operator and the largest manufacturer of denitrification catalysts in the PRC, which justified the demand from the existing projects.

We have discussed with the Company and understand that based on the leading position of the Group as the largest flue gas desulfurization and denitrification concession operator in China and the active development of environmental protection and management business in steel,

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cement, metallurgy and other non-electric fields, the estimated provision of services for environmental protection facility concession operation by the Group to the China Datang Group will remain high and, as mentioned above, is expected to constitute the majority of approximately 95% of the proposed annual cap of service provision business for the year ending 31 December 2025. We further understand that the slight increase in the respective proposed annual cap for the financial years ending 31 December 2026 and 31 December 2027 is a result of the estimated timing of the respective service contracts for environmental protection facility concession operation, which reflects an increase of approximately 1 to 2% per annum.

We have discussed with the Company and understand that, as mentioned above, the estimated provision of services for water treatment operation by the Group to the China Datang Group will remain at similar levels compared to the historical amounts for the year ended 31 December 2023 and only constitute a minor portion of the proposed annual cap of service provision business for the year ending 31 December 2025.

We have also discussed with the Company and understand that, as mentioned above, the estimated provision of services for energy management contracting business by the Group to the China Datang Group will remain at similar levels compared to historical amounts for the year ended 31 December 2023 and only constitute a minor portion of the proposed annual cap of service provision business for the year ending 31 December 2025.

As set out in the section headed “Historical Transaction Amounts and Utilisation Rates” below, the utilisation rate of the service provision business (being the comparison between the historical transaction amount for the year ended 31 December 2023 and the annual cap for that year), almost reached full utilisation rate of approximately 99.0%.

Product business

We note that the proposed annual cap for product business is RMB366 million for the year ending 31 December 2025, slightly increasing by approximately 1.4% and 1.1% to RMB371 million and RMB375 million for the years ending 31 December 2027 respectively.

According to the Letter from the Board, the product business mainly includes the sale of denitrification catalysts and renewable catalysts. We have discussed with the Company and understand that all product businesses for the annual caps for the three years ending 31 December 2027 are denitrification catalyst businesses.

The proposed annual caps of the product business for the three years ending 31 December 2027 are determined based on the sales volume of denitrification catalysts and renewable catalysts from the Group to China Datang Group, which is expected to reach approximately 42,000 m³ in 2025, an estimated average unit sale price of RMB8,700 estimated based on the average unit sale price of denitrification catalysts and renewable catalysts charged by the Group during the three years ended 31 December 2023, and an expected increase in sales revenue by approximately 1.3% to 1.4% annually in both 2026 and 2027 estimated based on an expected increase in average unit sale price due to the expected launch of high value-adding

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catalyst products, which are currently under development, during the three years ending 31 December 2027. Based on the expected sales volume of 42,000 m³ in 2025 as referred to in the above and the estimated average unit sale price of RMB8,700, the expected transaction value is approximately RMB365.4 million, which is more than 97% of the proposed annual cap for each of the three years ending 31 December 2025. Accordingly, we consider that the proposed annual caps for the three years ending 31 December 2027 is fair and reasonable. Also, based on the annual report of the Company for the year ended 31 December 2023, the Group sold 46,147.69 m³ of catalysts in total, of which 12,944.76 m³ were sold to customers other than China Datang Group, i.e. in 2023, the Group sold 33,202.93 m³ of catalysts to China Datang Group. The increase to 42,000 m³ for the three years ending 31 December 2027 therefore represents an increment of only approximately 26.5% from 33,202.93 m³ in 2023. In addition, under the promotion of the national “dual carbon” strategy and green development policies in China for the coming years, enterprises are expected to bear increasing environmental protection responsibilities and we are given to understand that the wide application of denitrification catalysts is one of the important means to achieve such environmental protection goals of the Chinese government. In view of such circumstances, we consider that the Company’s estimation of the increase in the sales volume and the total transaction value for the three years ending 31 December 2027 of approximately RMB365.4 million is therefore fair and reasonable.

Engineering business

We note that the proposed annual cap for engineering business is RMB1.123 billion for the financial year ending 31 December 2025, decreasing by approximately 22.2% to RMB874 million for the year ending 31 December 2026 and then increasing by approximately 13.2% to RMB989 million for the year ending 31 December 2027.

According to the Letter from the Board, the engineering business mainly includes flue gas treatment engineering, water treatment engineering and renewable energy engineering.

The Group has strategically transformed the business model of its renewable energy engineering business segment from EPC contracting to focusing on design-led engineering technical services, and established the renewable energy design institute (新能源設計院) in 2023 to provide renewable energy engineering design and technical services. Therefore, a significant increase in the transaction amounts of renewable energy engineering design and technical services is expected. Also, given the influence of national policies to strengthen pollution prevention and control as well as develop circular economy, it is expected that the number of construction projects such as dust control, desulfurization and denitrification to be undertaken by the Group in the future three years will steadily increase.

The proposed annual caps of the engineering business for the three years ending 31 December 2027 are determined based on the expected revenue recognition from ongoing engineering projects, which is based on their contractual progress and completion timelines, and the anticipated new contracts for engineering projects over the three years ending 31 December 2027, taking into account the Group’s growth expectations and market conditions.

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We have discussed with the Company and understand that the contractual progress and completion timelines of ongoing engineering projects and the timing of anticipated new contracts is the main reason for the substantial reduction of approximately 74.2% in the proposed annual cap of RMB1.123 billion for the year ending 31 December 2025 from the existing cap of RMB4.346 billion for 2024, and a subsequent decrease of approximately 22.2% to RMB874 million for the year ending 31 December 2026 and then an increase of approximately 13.2% to RMB989 million for the year ending 31 December 2027.

We have also reviewed the breakdown for engineering business and note that flue gas treatment engineering business makes up the majority of the requirements for the proposed annual caps for the three years ending 31 December 2027, which is composed of project timelines which are consistent with the timelines for the ongoing and committed projects, including new projects, totaling approximately RMB526.9 million, RMB548.4 million and RMB610.2 million for each of the three years ending 31 December 2027, which is approximately 47%, 67% and 68% of the annual cap for each of the three years ending 31 December 2027 respectively. Water treatment engineering is projected to be valued at approximately RMB250 million to RMB280 million for the three years ending 31 December 2027. After review of the breakdown of the projects, we have no reason to doubt that the projections were not made by the Company after due and careful consideration and we consider that we have reviewed sufficient information to confirm that the projections are fair and reasonable. Also, we note that the decrease in the proposed annual caps for the two years ending 31 December 2027 is due to the lack of renewable energy engineering business expected for those two years. Accordingly, we confirm that the basis for determination of the proposed annual caps of engineering business for the three years ending 31 December 2027, as supported by the timeline of ongoing projects and estimations for new engineering projects, are therefore fair and reasonable.

(b) *Products and services to be procured by the Group from China Datang Group*

Service procurement business

We note that the annual cap of service procurement business for the year ending 31 December 2025 is RMB370 million, increasing slightly by approximately 0.8% to RMB373 million and approximately 0.5% to RMB375 million for the two years ending 31 December 2027 respectively.

According to the Letter from the Board, service procurement business includes environmental protection facility concession operation, water treatment operation ancillary service, information technology services and other services.

In respect of concession operation ancillary service to be procured by the Group from China Datang Group, based on the existing contracts on hand, the expected costs of service to be procured by the Group from China Datang Group are expected to be RMB265 million annually for the three years ending 31 December 2027, which is in line with the increase in the volume of the desulfurization and denitrification concession operation service to be provided by the Group to China Datang Group for the next three years. We have discussed with the Company

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and understand that the concession operation ancillary service makes up the majority of service procurement business and approximately 71.8% of the proposed annual cap for the year ending 31 December 2025 and such estimations are based on the ongoing projects. We have reviewed a summary of the ongoing projects for concession operation ancillary services and confirm that the total expected cost of service to be procured by the Group from China Datang Group is expected to be RMB265 million for each of the financial years ending 31 December 2027. For water treatment operation ancillary service, given that following the increase in service lives of equipment, the workload for daily operating maintenance and equipment repair will also increase, resulting in a gradual growth in the expected costs for the three years ending 31 December 2027, being RMB67.5 million, RMB69 million and RMB70.5 million respectively.

The information technology services to be procured by the Group from China Datang Group for the next three years mainly include software design, construction of information system and relevant information service.

We have discussed with the Company and understand that the proposed annual caps of the service procurement business are highly correlated to the transaction value under the service provision business, the product business and the engineering business to be provided by the Group to China Datang Group. Given the Group's strategic transformation in the business model of its renewable energy engineering business segment from EPC contracting to design-led engineering technical services, a significant increase in the transaction amounts of renewable energy engineering design and technical services is expected due to the establishment of the renewable energy design institute (新能源設計院) in 2023 as referred to in the above. The proposed annual caps of the service procurement business increased by 87.4%, 89.0% and 90.8% for the three years ending 31 December 2027 as compared with annualised historical transaction results for the six months ended 30 June 2024 to accommodate this anticipated growth in demand. Based on our discussion with the Company, we also understand that the projections for service procurement business for the three years ending 31 December 2027 are based on the expected growth and number of projects for the service provision business, product business and the engineering business as set out above. Accordingly, we agree with the Directors that the proposed annual caps of the service procurement business for the three years ending 31 December 2027 are fair and reasonable.

Equipment and raw material procurement business

We note that the annual cap of equipment and raw material procurement business for the year ending 31 December 2025 is RMB1.751 billion, which represents a decrease of approximately 20.3% from the annual cap for the year ending 31 December 2024. The annual cap of equipment and raw material procurement business subsequently increases slightly by approximately 2.5% to RMB1.795 billion and approximately 1.5% to RMB1.822 billion for the two years ending 31 December 2027 respectively.

According to the Letter from the Board, equipment and raw material procurement business includes supply of water, electricity and steam, procurement of equipment and raw materials and other products. In respect of water, electricity and steam to be procured by the Group from

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China Datang Group, the Directors believe that the proposed annual caps for the next three years will continuously and steadily increase along with the rising power generation output of China Datang Group requiring desulfurization and denitrification concession operations. The estimated price, volume and percentage to the proposed annual caps for the equipment and raw material procurement business regarding the supply of water, electricity and steam for the three years ending 31 December 2027 are as follows:

<i>(RMB)</i>	Estimated price per unit	Estimated volume	Percentage to the proposed annual caps for the equipment and raw material procurement business		
			For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
Supply of water	3.3/tonne	32.7 million tonnes	6.1%	6.0%	6.0%
Supply of electricity	381.0/mWh	3,336 million kWh	72.6%	71.4%	70.9%
Supply of steam	144.1/tonne	606.3 thousand tonnes	5.0%	4.9%	4.9%
Total			83.7%	82.3%	81.8%

We have discussed with the Company and understand that the estimated unit price as set out above for the respective supply of water, electricity and steam is based on the government-prescribed prices, which according to www.ndrc.gov.cn, refers to the actual cost incurred, and the estimated volume is based on the estimated generation output of ongoing and committed projects of China Datang Group requiring desulfurization and denitrification concession operations. We consider that it is fair and reasonable for the Company to estimate the price per unit based on the government-prescribed prices and to estimate the volume based on ongoing and committed projects of China Datang Group. As stated in the section headed “Reasons for and Benefits of entering into of the Renewed Integrated Product and Service Framework Agreement” below, according to the Board, China Datang Group and the Group have a long-term, stable business relationship and the parties are mutually familiar with each other’s business demands and are able to supply the products and services needed by each other. Based on the Company’s previous experience in business dealings with China Datang Group, the Company believes that the Group and China Datang Group are capable of effectively satisfying each other’s stable and high-quality demands for relevant businesses, which is in the interests of the Group and the Shareholders as a whole. Accordingly, there is no reason for us to doubt that the Group is familiar with the future requirements of the China Datang Group and has made the projections above after due and careful consideration.

As shown above, the estimated total value of the supply of water, electricity and steam already constitutes over approximately 80% of the proposed annual caps for each of the three financial years ending 31 December 2027. We consider that it is fair and reasonable to make the projections based on government-prescribed prices and in accordance with the estimated generation output of China Datang Group requiring desulfurization and denitrification concession operations. The transaction amount of procurement of equipment and raw materials is mainly determined based on the scale of the environmental protection facilities

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engineering, water treatment operation, energy management constructing business, renewable energy engineering and other engineering business to be provided by the Group to China Datang Group. As it is expected that the overall scale of the abovementioned business segments of the Group in the coming years will increase steadily, it is expected that the procurement of equipment and raw materials will also increase accordingly. In particular, as the concession operation business progresses and the service lives of the equipment increase, the frequency of equipment maintenance is expected to increase, leading to growth in raw material costs used for the purposes of equipment maintenance and investment required for replacement of spare parts. As for procurement of equipment and raw materials for engineering projects, the corresponding proposed annual caps is determined based on the expected transaction amounts, which is estimated from the expected procurement cost per project and the number of ongoing and committed projects, as well as the number of estimated new projects for the three years ending 31 December 2027, including dust removal, environmental engineering, desulfurization, zero wastewater discharge and water condensate, expected to be undertaken by the Group or remain outstanding. The expected transaction amounts are RMB177.0 million, RMB197.5 million and RMB206.9 million for each of the three years ending 31 December 2027, respectively.

The percentages of procurement for the equipment and raw material procurement business other than water, electricity and steam to the proposed annual caps are 16.3%, 17.7% and 18.2% for each of the three years ending 31 December 2027, respectively. We have reviewed the breakdown of the projections of the procurement for the equipment and raw materials other than water, electricity and steam which were made based on estimated project timelines and anticipated demand from the relevant departments of the Group. After review of the breakdown of the projections, we have no reason to doubt that the projections were not made by the Company after due and careful consideration and we consider that we have reviewed sufficient information to confirm that the projections are fair and reasonable.

In the meantime, as China Datang Group is able to effectively reduce the purchasing price of part of the equipment and raw materials through centralized procurement and distribution process, the Group may also purchase part of the equipment and raw materials from China Datang Group through bidding process.

We have discussed with the Company and understand that the proposed annual caps of the equipment and raw material procurement business are also highly correlated to the transaction value under the service provision business, the product business and the engineering business to be provided by the Group to China Datang Group. Based on our discussion with the Company, we also understand that the projections for equipment and raw material procurement business for the three years ending 31 December 2027 are based on the expected growth and number of projects for the service provision business, the product business and the engineering business as set out above. Accordingly, we agree with the Directors that the proposed annual caps of the equipment and raw material procurement business for the three years ending 31 December 2027 are fair and reasonable.

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Historical Transaction Amounts and Utilisation Rates

The historical transaction amounts of each transaction under the Existing Integrated Product and Service Framework Agreement for each of the last two years ended 31 December 2023 and the six months ended 30 June 2024 are as follows:

<i>(RMB'000)</i>	Type of transactions	Historical transaction amounts		
		For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024
Provided by the Group to China	Service provision business	4,057,905	4,046,245	1,788,457
Datang Group	Product business	152,642	150,041	98,307
	Engineering business	627,054	923,119	211,874
Procured by the Group from China	Service procurement business	182,231	148,961	98,702
Datang Group	Equipment and raw material procurement business	1,692,065	1,938,474	547,263

The historical utilisation rates for each transaction under the Existing Integrated Product and Service Framework Agreement for the year ended 31 December 2023, being the latest full financial year available, and the six months ended 30 June 2024, are set out as follows:

<i>(RMB'000)</i>	Type of transactions	Historical annual caps for the year ended 31 December 2023	Historical transaction amounts for the year ended 31 December 2023 (Utilisation rate %)	Historical annual caps for the year ending 31 December 2024	Historical transaction amounts for the six months ended 30 June 2024 (Annualised utilisation rate %) <i>(Note 1)</i>
		Provided by the Group to China Datang Group	Service provision business	4,086,000	4,046,245 (99.0%)
	Product business	271,000	150,041 (55.4%)	272,000	98,307 (72.3%)
	Engineering business	4,005,000	923,119 (23.0%) <i>(Note 2)</i>	4,346,000	211,874 (9.8%) <i>(Note 2)</i>
Procured by the Group from China Datang Group	Service procurement business	464,000	148,961 (32.1%) <i>(Note 3)</i>	481,000	98,702 (41.0%) <i>(Note 3)</i>
	Equipment and raw material procurement business	2,088,000	1,938,474 (92.8%)	2,197,000	547,263 (49.8%)

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Notes:

1. The annualised utilisation rate is calculated by taking the actual transaction amounts for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the historical annual cap for the year ending 31 December 2024 for illustration purposes.
2. The Group originally planned to develop its renewable energy engineering business through undertaking EPC contracting projects; however, due to the low profit margin of such projects, the Group gradually reduced the scale of its operations in these projects in recent years. This resulted in the historical transaction amounts of the engineering business being lower than expected for the two years ended 31 December 2023 and six months ended 30 June 2024, leading to relatively low utilisation rates. However, the Group established the renewable energy design institute (新能源設計院) in 2023 to provide renewable energy engineering design and technical services. Therefore, despite the reduction in the scale of EPC contracting operations, a significant increase in the transaction amounts of renewable energy engineering design and technical services is expected. The higher proposed annual caps for the engineering business, compared to historical transaction amounts, are intended to accommodate such growth in the renewable energy engineering business.
3. The lower-than-expected transaction amounts in the renewable energy engineering business, as explained in Note 2 above, affected the corresponding service procurement amounts, resulting in, similarly, low utilisation rates for the service procurement business. However, for the same reasons stated in Note 2, the transaction amounts of the Group's renewable energy engineering business, specifically of design and technical services, are expected to increase in the upcoming three years. Hence, higher proposed annual caps for the service procurement business have been made to accommodate this anticipated growth in demand.

As shown in the table above, the utilisation rate of the service provision business provided by the Group to China Datang Group, expressed as a percentage of the historical amount for the year ended 31 December 2023 compared to the annual cap for that year is almost fully utilised at approximately 99.0%. Based on the high utilisation rate for service provision business, the proposed annual cap for 2024 has increased by approximately 18.7% from RMB4.029 billion in 2023 to RMB4.782 billion in 2024. Due to the high utilisation rate for 2023, we consider that the proposed annual caps for service provision business for the three years ending 31 December 2027 are fair and reasonable.

The utilisation rate of the product provision business provided by the Group to China Datang Group, expressed as a percentage of the historical amount for the year ended 31 December 2023 compared to the annual cap for that year is approximately 55.4%. However, the annualised utilisation rate for 2024 has increased to approximately 72.3% (being the annualised utilisation rate based on RMB98,307,000 for the six months ended 30 June 2024, compared to the annual cap of RMB272 million for 2024). Accordingly, we consider the subsequent increase of the proposed annual cap for the year ending 31 December 2025 to RMB366 million is fair and reasonable.

The utilisation rate of the engineering business provided by the Group to China Datang Group, expressed as a percentage of the historical amount for the year ended 31 December 2023 compared to the annual cap for that year is relatively low at approximately 23.0%. Accordingly, we consider the subsequent significant decrease of the proposed annual cap for the year ending 31 December 2025 to RMB1,123 million from RMB4,346 million for the year ending 31 December 2024 is fair and reasonable.

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The utilisation rate of the service procurement business procured by the Group from China Datang Group, expressed as a percentage of the historical amount for the year ended 31 December 2023 compared to the annual cap for that year is relatively low at approximately 32.1%. Accordingly, we consider the subsequent decrease of the proposed annual cap for the year ending 31 December 2025 to RMB370 million from RMB481 million for the year ending 31 December 2024 is fair and reasonable.

The utilisation rate of the equipment and raw material procurement business procured by the Group from China Datang Group, expressed as a percentage of the historical amount for the year ended 31 December 2023 compared to the annual cap for that year is high at approximately 92.8%. However, the annualised utilisation rate for 2024 has decreased to approximately 49.8% (being the annualised utilisation rate based on RMB547,263,000 for the six months ended 30 June 2024, compared to the annual cap of RMB2,197 million for 2024). Accordingly, we consider the subsequent decrease of the proposed annual cap for the year ending 31 December 2025 to RMB1,751 million from RMB2,197 million for the year ending 31 December 2024 is fair and reasonable.

Pricing Policy

Under the Renewed Integrated Product and Service Framework Agreement, the pricing policy of the various products and services are as follows:

(a) Products and services to be provided by the Group to China Datang Group

According to the Letter from the Board, in most circumstances where China Datang Group purchases products and/or services from the Group, bidding procedures shall apply for the determination of prices. Only in exceptional circumstances, bidding procedures can be skipped by China Datang Group. These circumstances primarily include (a) reoccurrence of lack of sufficient number of bidders attending the bidding procedure; and (b) urgent procurement demand by China Datang Group that does not allow the bidding procedure to be completed.

The pricing policy for service provision business under the concession operations (desulfurization and denitrification) services:

The Measures for the Supervision and Administration of Prices of Electricity from Coal-Fired Generating Units with Environmental Protection Facilities and the Operation of the Environmental Protection Facilities (《燃煤發電機組環保電價及環保設施運行監管辦法》) issued by the NDRC and the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) on 28 March 2014 specify that environmental price-increasing policies are implemented to the newly-built or retrofitted environmental protection facilities of the coal-fired generating units. In addition, The Opinions on Promoting the Third-Party Treatment of Environmental Pollution (《關於推行環境污染第三方治理的意見》) issued by the General Office of the State Council on 27 December 2014 specify the comprehensive implementation of environmental electricity tariffs of desulfurization, denitrification and dust removal for all coal-fired generating units. In order to implement the supportive policies on electric tariff of “promoting the refurbishment of ultra-low emission of coal-fired power plants”, the NDRC, MEP (the Ministry of Environmental Protection, currently known as MEE) and the National

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Energy Administration promulgated the Notice on the Implementation of Coal-fired Power Plants Ultra-low Emission Tariff Supportive Policy Related Issues (《關於實行燃煤電廠超低排放電價支持政策有關問題的通知》) on 2 December 2015, and the policy became effective on 1 January 2016.

Furthermore, the NDRC issued the Guiding Opinions on Deepening the Reform of the Mechanism for Forming On-grid Tariffs of Coal-Fired Power Generation (《國家發展和改革委員會關於深化燃煤發電上網電價形成機制改革的指導意見》) on 21 October 2019, which accordingly clarified the environmental electricity price policy. For coal-fired power generation implementing the “benchmark price plus floating” pricing mechanism, the benchmark price includes the tariffs for desulfurization, denitrification, and dust removal. For power supply still guaranteed by power grid enterprises, the current ultra-low emission electricity price policy continues to be implemented on the basis of the benchmark price. For coal-fired power generation on-grid electricity prices that are fully liberalized and formed by the market, the on-grid price includes the tariffs for desulfurization, denitrification, dust removal, and ultra-low emissions.

Thus, the tariff for desulfurized and denitrified electricity under the concession operation services shall be determined based on government-prescribed prices, according to the actual on-grid electricity price of power generation enterprises. The unit prices for desulfurized and denitrified electricity are RMB0.015/kWh and RMB0.01/kWh, respectively. For ultra-low emission electricity, the unit prices for projects already in operation before 2016 and after 2016 are RMB0.01/kWh and RMB0.005/kWh, respectively. The price of by-products shall be determined based on market prices (which are determined through the public market and independent service providers through bidding processes, and taking into account comparable conditions, including but not limited to the technology and quality of the services, obtained through other prices negotiated through market mechanisms in relation to the provision of similar services in similar industries).

We consider that the pricing of tariff for desulfurized and denitrified electricity under the concession operation services which is determined based on government-prescribed prices, according to the actual on-grid electricity price of power generation enterprises, will ensure that the terms will be on normal market terms or better. Also, the pricing of by-products by market price or bidding process will also ensure that the prices for by-products will be at market price or better and is therefore fair and reasonable so far as the Independent Shareholders are concerned.

During the period under review for the two years ended 31 December 2023 and the six months ended 30 June 2024, there were no new contracts for desulfurized and denitrified electricity under the concession operation in order for us to confirm whether the contracts were made pursuant to a bidding process with China Datang Group and/or its associates as all contracts were awarded under existing ongoing long-term contracts which commenced prior to the abovementioned period under review.

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The pricing policy for other service provision business:

The price of the services other than the concession operations (desulfurization and denitrification) to be provided by the Group to China Datang Group in accordance with the Renewed Integrated Product and Service Framework Agreement shall be determined based on the following policy:

If a bidding procedure is conducted by China Datang Group, the bidding price offered by the successful bidder shall be implemented. Prior to the bidding procedures, China Datang will publish announcements on its bidding invitation on public websites. There must be at least three bidders attending the bidding procedure, otherwise the bidding will be cancelled. The review panel for any bidding consists of experts selected by China Datang who have no interest in the bidding, and will score the bids by categories where bidding price is an important but not the only factor to be considered (other factors include the requisite service qualifications of the bidders, the results and credentials of similar types of services, overall technical capabilities, provision of technical plans and commercial goodwill). The bidder with the highest score comprehensively determined by the review panel wins and the bidding price offered by the bidder will be implemented. Therefore, only in the event that the Group wins the bidding with the highest score determined by the review panel, China Datang Group will enter into agreements with the Group under the Renewed Integrated Product and Service Framework Agreement.

Only in exceptional circumstances, such as in case of reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent procurement demand by China Datang Group, bidding procedures can be skipped by China Datang Group where China Datang Group will search in its database for projects of a similar nature and make reference to recent bidding prices for comparable services. Usually the price is ascertained as the averaged amount of these recent bidding prices with reasonable fluctuations. However, if no recent bidding prices for comparable services can be found in its database, China Datang Group will make reference to prices of services of a similar nature published on official bidding websites operated by the Chinese government to ascertain the price.

Meanwhile, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider providing relevant services to such third-party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors, including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.

We consider that the pricing of other service provision business by bidding process, recent bidding price or market price from other sources as stated above will ensure that the prices for other service provision business will be on normal commercial terms or better and is fair and reasonable so far as the Independent Shareholders are concerned. Also, as the Group will consider providing the relevant services to other third party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors,

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including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties, we consider that it is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

During the period under review for the two years ended 31 December 2023 and the six months ended 30 June 2024, there were no new contracts for other service provision business in order for us to confirm whether the contracts were made pursuant to a bidding process with China Datang Group and/or its associates as all contracts were awarded under existing ongoing long-term contracts which commenced prior to the abovementioned period under review.

The pricing policy for product business:

In accordance with the Renewed Integrated Product and Service Framework Agreement, the products, primarily denitrification catalysts, to be provided by the Group to China Datang Group will be determined based on the following pricing policy:

If a bidding procedure is conducted by China Datang Group, the bidding price offered by the successful bidder shall be implemented. Prior to the bidding procedures, China Datang Group will publish announcements on its bidding invitation on public websites. There must be at least three bidders attending the bidding procedure, otherwise the bidding will be cancelled. The review panel for any bidding consists of experts selected by China Datang Group who have no interest in the bidding, and will score the bids by categories where bidding price is an important but not the only factor to be considered (other factors include the requisite qualifications of production and operation of the bidders, the results and credentials of similar types of projects, overall technical capabilities, provision of technical plans and commercial goodwill). The bidder with the highest score comprehensively determined by the review panel wins and the bidding price offered by the bidder will be implemented. Therefore, only in the event that the Group wins the bidding with the highest score determined by the review panel, China Datang Group will enter into agreements with the Group under the Renewed Integrated Product and Service Framework Agreement.

Only in exceptional circumstances, such as in case of reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent procurement demand by China Datang Group, bidding procedures can be skipped by China Datang Group where China Datang Group will search in its database for projects of a similar nature and make reference to recent bidding prices for comparable products. Usually the price is ascertained as the averaged amount of these recent bidding prices with reasonable fluctuations. However, if no recent bidding prices for comparable products can be found in its database, China Datang Group will make reference to prices of products of a similar nature published on official bidding websites operated by the Chinese government to ascertain the price.

Meanwhile, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider providing relevant products to such third-party customers if their terms are more favourable than that offered by China Datang

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Group after taking into account of various factors, including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.

We consider that the pricing of product business by bidding process, recent bidding price or market price from other sources as stated above will ensure that the prices for product business will be on normal commercial terms or better and is fair and reasonable so far as the Independent Shareholders are concerned. Also, as the Group will consider providing relevant products to other third-party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors, including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties, we consider that it is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

We have been provided with three samples of contracts for product business and confirmed that the contracts were made pursuant to a bidding process with China Datang Group and/or its associates. The three samples were selected by the Company on a random basis for the purposes of our review of the Company's pricing policy and since the Company's independent non-executive Directors and auditors will review the transactions in relation to the continuing connected transactions on an annual basis, we have no reason to doubt that such pricing policy is not consistently followed by the Company. We consider that the selected samples are adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and China Datang Group are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the pricing policy is able to ensure that the continuing connected transactions are conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders as a whole. The above three samples represent all the samples reviewed by us on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties.

The pricing policy for engineering business:

If a bidding procedure is conducted by China Datang Group, the bidding price offered by the successful bidder shall be implemented. Prior to the bidding procedures, China Datang Group will publish announcements on its bidding invitation on public websites. There must be at least three bidders attending the bidding procedure, otherwise the bidding will be cancelled. The review panel for any bidding consists of experts selected by China Datang Group who have no interest in the bidding, and will score the bids by categories where bidding price is an important but not the only factor to be considered (other factors include the requisite qualifications of production and operation of the bidders, the results and credentials of similar types of projects, overall technical capabilities, provision of technical plans and commercial goodwill). The bidder with the highest score comprehensively determined by the review panel wins and the bidding price offered by the bidder will be implemented. Therefore, only in the

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event that the Group wins the bidding with the highest score determined by the review panel, China Datang Group will enter into agreements with the Group under the Renewed Integrated Product and Service Framework Agreement.

Only in exceptional circumstances, such as in case of reoccurrence of lack of sufficient number of bidders attending the bidding procedure and urgent procurement demand by China Datang Group, bidding procedures can be skipped by China Datang Group where China Datang Group will search in its database for projects of a similar nature and make reference to recent bidding prices for comparable products. Usually the price is ascertained as the averaged amount of these recent bidding prices with reasonable fluctuations. However, if no recent bidding prices for comparable products can be found in its database, China Datang Group will make reference to prices of products of a similar nature published on official bidding websites operated by the Chinese government to ascertain the price.

Meanwhile, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider providing relevant products to such third-party customers if their terms are more favourable than that offered by China Datang Group after taking into account of various factors, including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.

We consider that the pricing of engineering business by bidding process, recent bidding price or market price from other sources as stated above will ensure that the prices for engineering business will be on normal commercial terms or better and is fair and reasonable so far as the Independent Shareholders are concerned. As the Group will consider providing relevant products to other third-party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors, including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties, we consider that it is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

We have been provided with three samples of contracts for engineering business and confirmed that the contracts were made pursuant to a bidding process with China Datang Group and/or its associates. The three samples were selected by the Company on a random basis for the purposes of our review of the Company's pricing policy and since the Company's independent non-executive Directors and auditors will review the transactions in relation to the continuing connected transactions on an annual basis, we have no reason to doubt that such pricing policy is not consistently followed by the Company. We consider that the selected samples are adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and China Datang Group are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the pricing policy is able to ensure that the continuing connected transactions are conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders as a whole. The above three samples represent all the samples reviewed by us on the basis that the samples of transactions

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selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties.

(b) *Products and services to be procured by the Group from China Datang Group*

According to the Letter from the Board, in most circumstances where the Group purchases products and/or services from China Datang Group, bidding procedures shall apply for determination of the price. Only in exceptional circumstances, bidding procedures can be skipped by the Group. These circumstances primarily include (a) reoccurrence of lack of sufficient number of bidders attending the bidding procedure; and (b) urgent procurement demand by the Group that does not allow the bidding procedure to be completed.

Pricing policy for products:

The pricing policy for service procurement business: In respect of the ancillary services under the concession operations of desulfurization and denitrification and water treatment, the price shall be determined based on the relevant labour costs, the relevant management expenses and the equipment maintenance fees associated with the relevant power plants after taking into account the average level of the industry. If no bidding process is conducted, apart from making reference to prices on official bidding websites, the Group will also make reference to the price quotes offered by, or available from, three third party customers so as to make relevant comparison with the price quotes offered by China Datang Group. The Group will consider purchasing the relevant ancillary services from such third-party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors, including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties.

We consider that the pricing of the above service procurement business by bidding process, recent bidding price or market price from other sources as stated above will ensure that the prices for products will be on normal commercial terms or better and is fair and reasonable so far as the Independent Shareholders are concerned. Also, as the Group will consider purchasing the relevant ancillary services from other third party customers if their terms are more favourable than that offered by China Datang Group after taking into account various factors, including but not limited to, price quotes, other commercial terms, level of synergy to be achieved and historical transactional records with such parties, we consider it is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

We have been provided with two samples of contracts for service procurement and confirmed that the contracts were made pursuant to a bidding process with the best terms provided by China Datang and/or its associates. The two samples were selected by the Company on a random basis for the purposes of our review of the Company's pricing policy and since the Company's independent non-executive Directors and auditors will review the transactions in relation to the continuing connected transactions on an annual basis, we have no reason to doubt that such pricing policy is not consistently followed by the Company. We consider that the selected samples are adequate, sufficient, fair and representative in concluding our view

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that the above pricing policy was properly followed and that the terms of the transactions between the Company and China Datang Group are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the pricing policy is able to ensure that the continuing connected transactions are conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders as a whole. The above two samples represent all the samples reviewed by us on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties.

The pricing policy for other service procurement businesses: In most circumstances where the Group purchases services from China Datang Group, bidding procedures shall be applied for the determination of prices. Only in exceptional circumstances, bidding procedures can be skipped by the Group where the purchasing price shall be determined by experts of the Group based on fair market value and historical records of procurement price. We consider that the pricing of other service businesses by bidding process or market price from other sources as stated above will ensure that the prices for products will be on normal commercial terms or better and is fair and reasonable so far as the Independent Shareholders are concerned. We have been provided with two samples of contracts for other service procurement and confirmed that the contracts were made pursuant to a bidding process with the best terms provided by China Datang and/or its associates. The two samples were selected by the Company on a random basis for the purposes of our review of the Company's pricing policy and since the Company's independent non-executive Directors and auditors will review the transactions in relation to the continuing connected transactions on an annual basis, we have no reason to doubt that such pricing policy is not consistently followed by the Company. We consider that the selected samples are adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and China Datang Group are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the pricing policy is able to ensure that the continuing connected transactions are conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders as a whole. The above two samples represent all the samples reviewed by us on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties.

The pricing policy for supply of water, electricity and steam: In accordance with the Renewed Integrated Product and Service Framework Agreement, the price of the products, primarily, water, electricity and steam supplied by power plants under China Datang Group to the Group, will be determined based on the actual costs incurred by power plants when supplying such products to third-party desulfurization and denitrification concession operation service providers per the government's prescribed requirements. We consider that it is fair and reasonable for the supply of water, electricity and steam to be determined based on the actual costs incurred by the power plants as it will ensure that the terms are on normal commercial terms or better.

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The pricing policy for procurement of equipment and raw materials: In respect of the procurement of equipment and raw materials, in most circumstances, bidding procedures shall apply for determination of the purchasing price. Such price is the bidding price provided by the bid-winner. China Datang Group will charge a fee (the “**Service Fee**”) not exceeding 6% of the purchasing price. The Service Fee shall be determined on the basis of the actual scope of services provided by an independent third-party service provider and the pricing standard of the relevant services and materials. The Service Fee shall be fairly agreed between the parties and shall not exceed the fee charged for similar services provided by China Datang Group to an independent third party or its affiliated entities. Upon the execution of the relevant procurement contract, the Supply Chain Management Department (供應鏈管理部) will review and approve the Service Fee and ensure that it will not exceed 6% of the relevant purchasing price. Only in exceptional circumstances, such as in case of urgent procurement demand of the Group, can the bidding procedures be skipped by the Group where the purchasing price shall be determined by experts of the Group based on fair market value and historical records of procurement price.

We have discussed with the Company and understand that the centralized procurement of equipment and raw materials will enable the Company to secure the most competitive price through bulk purchase and the Company considers that the payment of a handling fee to China Datang Group, of not more than 6% of the purchase price, is fair and reasonable to the Company as the potential cost savings outweighs the handling fees. We consider that, on the basis the centralized procurement of equipment and raw materials will enable the Company to gain cost savings that outweigh the handling fees of not more than 6%, the terms for procurement of equipment and raw materials are fair and reasonable.

Reasons for and Benefits of entering into of the Renewed Integrated Product and Service Framework Agreement

China Datang Group and the Group have a long-term, stable business relationship. The parties are mutually familiar with each other’s business demands and are able to supply the products and services needed by each other. The Directors believe that maintaining a stable and quality business relationship with China Datang Group will facilitate its current and future business operations.

According to the Letter from the Board, based on the Company’s previous experience in business dealings with China Datang Group, the Company believes that the Group and China Datang Group are capable of effectively satisfying each other’s stable and high-quality demands for relevant businesses, which is in the interests of the Group and the Shareholders as a whole.

We agree that the terms of the Renewed Integrated Product and Service Framework Agreement with China Datang Group are on normal commercial terms or better, which is generally made through a bidding process or by reference to market price, in the ordinary and usual course of business of the Group, and are beneficial to the Company and in the interests of the Company and the Shareholders as a whole as China Datang Group is familiar with the Company’s business and business demands.

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With respect to the service provision business and engineering business, given the Group's background of the leading market position in the PRC and the scale of operations involved, we consider it is reasonable that the Company will continue to have certain contractual relationships with China Datang Group, which is one of the five major state wholly-owned power generation groups in the PRC, and is therefore in the interests of the Company and the Shareholders as a whole. Considering the reasons stated above, including that deriving the majority of revenue from the holding company is in line with the general market practice of other leading market players of concession operations in the environmental protection industry, we consider that the transactions contemplated under the Renewed Integrated Product and Service Framework Agreement will not give rise to reliance issue of the Company with its connected persons and controlling shareholder and we are of the view that the measures adopted by the Company to prevent undue reliance on its connected persons and controlling shareholder as stated above are effective.

Relevant Internal Control Measures of the Renewed Integrated Product and Service Framework Agreement

According to the Letter from the Board, the Company has implemented the following internal control procedures to closely monitor and manage new and on-going connected transactions with China Datang Group:

- The Board has approved the estimated annual caps of connected transactions with China Datang Group for each of its business segments for the three years ending 31 December 2025, 2026 and 2027, which were proposed by the Securities and Capital Department (證券資本部) based on the Group's business demands and China Datang Group's project plans and their estimated completion time and progress.
- At the beginning of each calendar year, the Securities and Capital Department will issue an internal notice circulating the annual caps of connected transactions with China Datang Group for that particular year and remind each member and department of the Group to follow internal control procedures for the control of transaction value with China Datang Group in daily business operations.
- The Securities and Capital Department is responsible for maintaining and updating the list of connected persons of the Group. Such list will be circulated to members and relevant departments of the Group on a regular basis.
- Business contracts of the Group are negotiated by the departments in charge which are subject to review and approval by the Connected Transaction Review Department (關聯交易審核部門) before execution. Before submitting any new business contract to the Connected Transaction Review Department, the department in charge is required to check the identity of each party to such contract against the latest list of connected persons of the Group. If any party is identified as a connected person, the department in charge will initiate the special application procedures (“**Connected Transaction Identification Process**”) and submit the required information of the proposed transaction to the Connected Transaction Review Department for review and approval. The Connected Transaction Review Department has adopted stringent control policies in reviewing and approving connected transactions,

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including, cross checking relevant information of the projects (e.g. transaction amounts, expected project completion date and progress) against the annual caps. If the proposed transaction is generally consistent with the Connected Transaction Review Department's planning, usually such contract can proceed to execution. If there exists significant difference between the annual caps and the value of the proposed contract, the Connected Transaction Review Department will check against the monthly report provided by the Finance Department for assessment on whether the value of the proposed contract would potentially cause the actual total transaction value to exceed the annual caps of that year. In the case that the proposed contract is expected to potentially cause the total actual transaction value to exceed the annual caps of that year, the Connected Transaction Review Department usually will not approve such contract to proceed to execution. In the case that any proposed transaction may potentially cause the actual total transaction value to exceed the annual caps, if the Connected Transaction Review Department considers such transaction has great commercial value or other significant benefits to the Group, it may escalate to senior management of the Company or the Board for decision making by going through relevant corporate governance procedures in compliance with relevant rules and regulatory requirements. In the event that the Company decides to proceed with the proposed transactions, it would be required to seek Shareholders' approval for revision of the annual caps in accordance with the requirements under the Listing Rules.

- The Securities and Capital Department has set up a monthly reporting system for connected transactions, which requires all members and departments of the Group to report in the beginning of each month, among others, (i) the amount of connected transactions occurred in the previous months; (ii) the accumulative connected transaction amount occurred in that year; and (iii) the expected transaction amount for the rest of the year. If the accumulative connected transaction amount has proportionately exceeded the annual caps of the year in a substantial manner or if the accumulative connected transaction amount occurred together with the expected transaction amount for the rest of the year will exceed the annual caps, the relevant member or department of the Group is required to report to the Securities and Capital Department the reasons for deviation and the proposed rectification measures. Subsequently, the Securities and Capital Department will notify the Connected Transaction Review Department of such deviation or potential deviation by the relevant member or department, and the Connected Transaction Review Department will closely monitor and control the approval of new business contracts for the relevant member or department.
- Furthermore, the Group has adopted relevant assessment standards in its employee performance evaluation system, where each department and employee will be evaluated on their contribution in terms of exploring independent contracts and controlling the amount and ratio of connected transactions, which has direct impact on their remuneration.
- The independent non-executive Directors and the Company's auditors will review annually the enforcement of relevant continuing connected transactions under the Renewed Integrated Product and Service Framework Agreement and provide annual confirmations in accordance with the Listing Rules that relevant continuing connected transactions are conducted in

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accordance with the terms of the Renewed Integrated Product and Service Framework Agreement, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

We have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. Accordingly, we consider that the pricing policies and internal control procedures set out above were properly followed and we are of the view that the above measures can effectively manage the potential risks relating to the Renewed Integrated Product and Service Framework Agreement and will ensure that the respective services will be conducted on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned.

III. RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT

On 11 December 2024, the Company entered into the Renewed Financial Services Framework Agreement with Datang Capital, which renews the financial leasing service and commercial factoring service of the Existing Financial Services Agreement. According to the Renewed Financial Services Framework Agreement, Datang Capital agreed to provide the Company with commercial factoring service, asset securitization service, financial leasing, sales and leaseback service, entrusted loan service, operating lease, brokerage and consultation service in relation to transfer of property rights and assets and bespoke financial service solution (collectively, the “**Financial Framework Services**”). Both parties agreed that such agreement shall be effective from 1 January 2025 and expiring on 31 December 2027. Details of the Renewed Financial Services Framework Agreement are set out as follows.

Date: 11 December 2024

Parties: (1) Datang Capital; and
(2) the Company

Term: Effective from 1 January 2025 to 31 December 2027

Principal terms: According to the Renewed Financial Services Framework Agreement, Datang Capital agreed to provide to the Company with commercial factoring service, asset securitization service, financial leasing, sales and leaseback service, entrusted loan service, operating lease, brokerage and consultation service in relation to transfer of property rights and assets and bespoke financial service solutions.

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In respect of the abovementioned transactions under the Renewed Financial Services Framework Agreement, the Company and/or its subsidiaries and Datang Capital and/or its subsidiaries may enter into separate specific contracts in compliance with the Renewed Financial Services Framework Agreement as stipulated in the Renewed Financial Services Framework Agreement.

Proposed Annual Caps

Commercial Factoring Service

Commercial factoring service refers to a set of financial solutions provided under a factoring agreement between a factor and a supplier, where services of which typically include financing, credit risk management, receivables management and collection services. Under the factoring arrangement, the factor assumes the supplier's accounts receivable and facilitates payments on behalf of the purchaser. In the event of a default by the purchaser, the factor assumes responsibility for payment to the supplier. The proposed annual caps of commercial factoring service under the Renewed Financial Services Framework Agreement (including the maximum daily balance, handling fees and outstanding interest fee) for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB2,000 million, RMB2,000 million and RMB2,000 million respectively. We note that there is no proposed year-on year increment.

Financial Leasing Service

The proposed annual caps of financial leasing service under the Renewed Financial Services Framework Agreement (including the maximum daily balances of leasing principal, outstanding interest fee and handling fee) for each of the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB1,000 million, RMB1,000 million and RMB1,000 million respectively. We note that there is no proposed year-on-year increment.

Entrusted Loan Service

Entrusted loan service refers to the trust business in which a trust institution accepts the entrustment of a principal, and within the limits of the entrusted deposit deposited by the principal, grants loans according to the designated target, purpose, term, interest rate and amount as specified by the principal. The trust institution is also responsible for recovering the principal and interest of the loan on behalf of the principal at maturity. The proposed annual caps of entrusted loan service under the Renewed Financial Services Framework Agreement (including the maximum daily balance, handling fees and outstanding interest fee) for each of the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB1,000 million, RMB1,000 million and RMB1,000 million respectively. We note that there is no proposed year-on-year increment.

As of 30 June 2024, the payable principal and interests of bank loans of the Group due within 1 year amounted to approximately RMB2,007 million in aggregate, and the payable principal and interests of bank loans of the Group due between 1-2 years amounted to approximately RMB941 million in aggregate. According to the Company, the total amount of bank loans due within 1 year and between

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1-2 years will be approximately RMB2,948 million. Upon maturity of such bank loans, the Group expects to perform refinancing to cover the abovementioned bank loans as well as the fresh working capital for expanding the business of the Group. As the Group is gradually promoting business transformation with its capital expenditure growing rapidly, it needs to expand financing channels to meet its financing needs.

Based on our discussion with the Company, we understand that the total amount of bank loans due within 1 year and between 1-2 years will be approximately RMB2,948 million which is almost three times the proposed annual cap of RMB1,000 million for each of the three years ending 31 December 2027, therefore, we consider that the Company's plan to obtain lower levels of financing through bank loans and to increase financing through commercial factoring and other products as stated above is in the best interests of the Company and fair and reasonable so far as the Independent Shareholders are concerned and accordingly, we agree that the proposed annual caps are fair and reasonable.

The rest of the services under the Renewed Financial Services Framework Agreement, namely, asset securitization service, sales and leaseback service, operating lease, brokerage and consultation service in relation to transfer of property rights and assets and financial service solution (the "**Other FSFA Financial Services**") will have proposed annual caps with relevant applicable percentage less than 0.1%.

According to the Letter from the Board, given the above, taking into account (i) the commercial factoring service under the Renewed Financial Services Framework Agreement enables the Group to convert its trade and bill receivables into liquidity, whereas the Group has trade and bill receivables of approximately RMB7,400 million as of 30 June 2024; (ii) the national directives for state-owned enterprises to develop and invest in strategic emerging industries, the financing of which is generally not supported by commercial banks and has to obtain financing through methods, such as, lease financing and entrusted loans; (iii) the abovementioned amount of principal and interests to be repaid upon maturity of the bank loans of the Group; (iv) the expected decreasing amount of bank loans and higher interest rate level to be obtained by the Group in the future for refinancing the abovementioned bank loans and for the expanding business of the Group; and (v) the relevant terms of the Financial Framework Services provided by Datang Capital to accommodate the Group's need for financing, the Group has determined the proposed annual caps of the Financial Framework Services under the Renewed Financial Services Framework Agreement, respectively. We agree that if the increased use of the above services under the Renewed Financial Services Framework Agreement will enable the Group to reduce overall interest cost and also obtain financing for its business expansion which is generally not supported by commercial banks, the Renewed Financial Services Framework Agreement and the transactions contemplated therein is in the interest of the Company and the Independent Shareholders as a whole.

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Historical Transaction Amounts and Utilisation Rates

The historical transaction amounts for each transaction under the Existing Financial Services Framework Agreement for the two years ended 31 December 2022, 2023 and six months ended 30 June 2024, and the historical annual caps and the utilisation rates for the year ended 31 December 2023, being the latest full financial year available, and the six months ended 30 June 2024, are as follows:

Type of transactions	Historical transaction amounts			Historical	Historical
	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024	annual cap for the year ended 31 December 2023 (Utilisation rate %)	annual cap for the year ending 31 December 2024 (Annualised utilisation rate %) (Note 1)
Financial leasing service	181,989	163,894	166,423	1,060,000	1,060,000
– Actual maximum daily balances of leasing principal, outstanding interest fee and handling fee				(15.5%)	(31.4%)
Commercial factoring service	–	–	–	2,000,000	2,000,000
– Service fee				(0%)	(0%)
Entrusted loan services	–	–	–	1,000,000	1,000,000
– Service fee				(0%)	(0%)

Note:

- The annualised utilisation rate is calculated by taking the actual transaction amounts for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the historical annual cap for the year ending 31 December 2024 for illustration purposes.

As shown in the table above, there was no historical transaction amount between the Company and Datang Capital for the commercial factoring service and entrusted loan services under the Existing Financial Services Framework Agreement.

We note that the utilisation rate and the annualised utilisation rate for financial leasing service is approximately 15.5% and 31.4% of the annual cap of the actual maximum daily balance of leasing principal, outstanding interest fee and handling fee for the year ended 31 December 2023 and the year ending 31 December 2024 respectively and we understand that the reasons for the low utilisation rates of the existing annual caps for the commercial factoring service and financial leasing service are that these two financing methods are mainly used as back-up financing methods for the Company to prevent and control capital risks and ensure cash flow security. Since their financing costs might at times be higher than commercial bank loans and open market bonds, they are not the preferred financing methods of the Company. In addition, the Company has maintained strong liquidity over

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the past three years, and there have been no circumstances requiring a large-scale utilisation of the back-up financing methods. Despite the relatively low historical utilisation rates, we have discussed with the Company the reasons stated in the above section headed “Proposed Annual Caps”, especially the Group’s plan to convert its trade and bill receivables which amounted to RMB7,400 million as of 30 June 2024 into liquidity which decreases the amount of bank loans with higher interest rate level. In addition, we understand from the Company and agree that maintaining the proposed annual caps for such financing channels of commercial factoring service, financial leasing service and entrusted loan service, which provide financing flexibility to the Group in the event of any market uncertainty in the coming three years and as financing alternative to bank borrowings, are beneficial to the Company and the Shareholders as a whole. Based on these reasons, we consider that it is fair and reasonable for the Company to maintain around the same proposed annual caps for each of the three years ending 31 December 2027 in view of the anticipated financing needs of the Company as set out above.

Pricing Policy

(1) *Commercial factoring service under the Renewed Financial Services Framework Agreement*

The comprehensive interest rate relating to the commercial factoring service provided by Datang Capital to the Group shall be based on fair and reasonable market pricing and normal commercial terms. In particular, the rate shall not be higher than the interest rate level provided by independent third parties to the Group for the same type of service during the same period or the interest rate of the same type of service provided by Datang Capital to third parties with same credit rating.

We consider that the interest rate for commercial factoring services is fair and reasonable at market pricing and shall not be higher than the interest rate provided by independent third parties which is in the interests of the Company and the Independent Shareholders as a whole. However, as there was no commercial factoring transaction during the two years ended 31 December 2023 and the six months ended 30 June 2024, there was no sample available for review in respect of the pricing policy.

(2) *Financial leasing service under the Renewed Financial Services Framework Agreement*

The rent paid by the Group to Datang Capital includes (i) procurement costs; and (ii) interests. The relevant interests are determined based on the benchmark interest rates for loan as implemented by the PBOC.

During the period under review for the two years ended 31 December 2023 and the six months ended 30 June 2024, we note that there was no new contract for financial leasing transactions. In terms of the pricing policy, we consider that the relevant interests for financial leasing services to be determined based on the benchmark interest rates for loan as implemented by the PBOC is fair and reasonable.

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We have reviewed the only latest contract for financial leasing transactions which was entered on 22 November 2024 and confirm that the Company had requested for quotations from not less than three other financial institutions in the PRC which are independent of the Company and its connected persons, and comparing them with the benchmark interest rates for term loans issued by the PBOC. We also confirm that the terms are on normal commercial terms, are no less favourable than those available to or from independent third parties, and are in line with the pricing policy of the Renewed Financial Services Framework Agreement.

(3) ***Entrusted loan service under the Renewed Financial Services Framework Agreement***

The entrusted loan interest paid by the Group to Datang Capital includes (i) procurement costs; and (ii) interests. The relevant interests are determined based on the benchmark interest rates for loan as implemented by the PBOC.

We consider that the pricing determined based on the benchmark interest rates for loans implemented by the PBOC is fair and reasonable. However, as there was no entrusted loan transaction during the two years ended 31 December 2023 and the six months ended 30 June 2024, there was no sample available for our review in respect of the pricing policy.

Reasons for and Benefits of the Transactions under the Renewed Financial Services Framework Agreement

(1) ***Commercial factoring service and asset securitization service***

The Board considers that the transactions under the commercial factoring service and asset securitization service will help the Company optimize its asset structure, accelerate the efficiency of asset turnover, save costs, improve the efficiency of capital use, broaden the financing channels, and reduce financing costs, which is in line with the overall development strategies of the Company and is in the interests of the Company and the Shareholders as a whole. We agree with the Board that the above pricing policies and potential cost savings and more efficient use of capital are in the interests of the Company and the Independent Shareholders as a whole.

(2) ***Financial leasing service, sales and leaseback service, entrusted loan service and operating lease service***

Datang Capital is a professional financial leasing service, sales and leaseback service, entrusted loan service and operating lease service provider. Based on the needs of business operations, the Group negotiated with Datang Capital in respect of the abovementioned service arrangements on normal commercial terms. We agree with the Company that it is fair and reasonable for the Company for service arrangements to be negotiated on normal commercial terms basis.

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(3) *Brokerage and consultation service in relation to the transfer of property rights and assets and bespoke financial service solution service*

Datang Capital provides professional brokerage and consultation service in relation to the transfer of property rights and assets and financial service solution. Based on the needs of business operations, the Group negotiated with Datang Capital in respect of the abovementioned service arrangements on normal commercial terms. We agree with the Company that it is fair and reasonable for the Company for service arrangements to be negotiated on normal commercial terms basis.

Based on the above, we concur with the Directors of the Company that the terms of the Renewed Financial Services Framework Agreement and the transactions contemplated thereunder are entered into based on arm's length negotiations, in the ordinary and usual course of business of the Group and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Relevant Internal Control Measures of Continuing Connected Transactions

For the Company's internal control procedures that are implemented to closely monitor and manage new and ongoing connected transactions with China Datang Group, please refer to the information provided under the subsection headed "Relevant Internal Control Measures of the Renewed Integrated Product and Service Framework Agreement" as set out in the Letter from the Board.

In addition, the Company has implemented the following internal control procedures to ensure that the relevant interests rates offered by Datang Capital are no less favourable to the Company than those quoted by PBOC or offered to third parties by Datang Capital:

- The financial management department of the Company is responsible for tracking and monitoring the implementation of the continuing connected transactions under the Renewed Financial Services Framework Agreement.
- The financial management department of the Company is responsible for collecting information and monitoring the prices of the continuing connected transactions, assessing the fairness and reasonableness of the terms of the transactions, including the pricing terms, by obtaining information on the relevant transactions and their respective rates and terms from three other financial institutions in the PRC which are independent of the Company and its connected persons, and comparing them with the benchmark interest rates for term loans issued by the PBOC. This is to ensure that the terms are on normal commercial terms, are no less favourable than those available to or from independent third parties, and are in line with the pricing policy of the Renewed Financial Services Framework Agreement.
- In addition, the Company has established a continuing connected transactions management account and arranged for a designated person to manage and maintain it for the purpose of monitoring the amount of the transactions in respect of the proposed annual caps under the

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Renewed Financial Services Framework Agreement. For continuing connected transactions that are expected to exceed their annual caps, the Company will re-comply with the necessary approval procedures under the Listing Rules in this regard.

We have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. Accordingly, we consider that the pricing policies and internal control procedures set out above were properly followed and we are of the view that the above measures can effectively manage the potential risks relating to the Renewed Financial Services Framework Agreement and will ensure that the respective services will be conducted on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned.

IV. DEPOSIT SERVICES UNDER THE RENEWED FINANCIAL SERVICES AGREEMENT

The Company and Datang Finance entered into the Renewed Financial Services Agreement on 11 December 2024, with a term commencing from 1 January 2025 and ending on 31 December 2027, which renews the services under the Existing Financial Services Agreement. Deposit Services contemplated under the Renewed Financial Services Agreement constitute continuing connected transactions and a major transaction of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Details of the Deposit Services contemplated under the Renewed Financial Services Agreement are set out as follows:

Date:	11 December 2024
Parties:	(1) Datang Finance; and (2) the Group
Term:	Effective from 1 January 2025 to 31 December 2027

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Nature of Transaction: The services to be provided by Datang Finance to the Group include loan services, the Deposit Services, and the Other Financial Services including financial and financing consultation and training services, bill acceptances and discounting services, fund settlement and payment services, entrustment loan and non-financing guarantee services, and financial consultation services for the Group's bond financing. Datang Finance has agreed to provide financial services to the Group at the Company's request or instruction provided that Datang Finance has obtained the relevant approval from the NAFR. Datang Finance shall ensure the stable operation of fund management system to safeguard the fund, and to supervise the credit risk so as to satisfy the payment demands of the Group. The Group, with information of market rates and in view of its own interests, has the discretion to determine whether or not to maintain business relationship with Datang Finance, or to obtain financial services from other financial institutions in the meanwhile.

Scope of Service:

- i. loan services;
- ii. Deposit Services; and
- iii. Other Financial Services.

Pricing Policy:

Datang Finance has undertaken to provide the Deposit Services to the Group based on the following pricing principles:

Under the same condition, the deposit interest rate provided by Datang Finance to the Group shall not be lower than the interest rate for the same type of deposit placed in national commercial banks in the PRC by the Group.

We consider that the interest rate to be provided by Datang Finance for the Group's deposits shall not be lower than the equivalent deposit rate as provided by national commercial banks in the PRC is fair and reasonable.

Capital Risk Control Measures

Pursuant to the Renewed Financial Services Agreement, Datang Finance undertakes to take, inter alia, the following measures to control the capital risks:

- i. Datang Finance will ensure the safe and stable operation of the fund management information system, which has undergone the security test in respect of connection to the online commercial banking and has reached the national security standards for commercial banks. The system is equipped with the model awarded with CA safety certificate to secure the funds of the Group.

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- ii. Datang Finance will ensure that it is in strict compliance with the risk monitoring indicators for financing companies issued by the NAFR and that its major regulatory indicators such as gearing ratio, interbank lending ratio and liquidity ratio will also comply with the requirements of the NAFR.
- iii. Any balance in the Group's deposits (after deducting the amount used for making entrusted loans and the loans made to the Group by Datang Finance) will be redeposited into one or more commercial banks in the PRC. The interests for the Group's call deposits will be settled at the negotiated savings interest rate as announced by the PBOC, which is higher than the interest rate for call deposits that the Group currently secures from other PRC commercial banks.

The Company will also adopt, among others, the following internal control and risk management measures to mitigate the financial risks which may be exposed to the Company under the Renewed Financial Services Agreement:

- i. The Company will regularly obtain and review quotes (i.e. savings interest rate, loan interest rate or fee quotes for the other financial services) from at least four other independent financial institutions and the then savings interest rate, negotiated savings interest rate or loan interest rate as published by PBOC.

For the Deposit Services, in the event that the Company notes the then negotiated savings interest rate as announced by the PBOC is less than the then savings interest rate as published by the PBOC or offered by other independent financial institutions in the PRC, the Company will enter into an agreement with Datang Finance to ensure the deposit interest rate of the Deposit Services will be no less favourable than the then savings interest rate as published by the PBOC or offered by any other independent financial institution in the PRC. In the event that the Company notes that the actual deposit interest rate of the Deposit Services is less than the then negotiated savings interest rate as announced by the PBOC or offered by any other independent financial institution in the PRC, the Company will require Datang Finance to compensate the differences to the Company.

We have been provided with three samples of internal memos or records selected by the Company confirming that before entering into any Deposit Service transactions with Datang Finance, the Company has obtained and reviewed quotes for savings interest from at least four other independent financial institutions and the then savings interest rate as published by the PBOC. The samples were selected by the Company on a random basis for the purposes of our review of the Company's pricing policy and since the Company's independent non-executive Directors and auditors will review the transactions in relation to the continuing connected transactions on an annual basis, we have no reason to doubt that such pricing policy is not consistently followed by the Company. We consider that the selected samples are adequate, sufficient, fair and representative in concluding our view that the above pricing policy was properly followed and that the terms of the transactions between the Company and China Datang Group are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the pricing policy is able to ensure that the continuing connected transactions are conducted on normal commercial terms or better and not prejudicial to the

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interests of the Company and the Independent Shareholders as a whole. The above three samples represent all the samples reviewed by us on the basis that the samples of transactions selected have covered the major products and/or services of the Company and are representative as an illustration to prove that the pricing terms with the Company's related party are no less favourable than those with the independent third parties.

- ii. Before placing deposit, the Finance Department of the Company will check the outstanding daily balance of the deposits placed with Datang Finance to avoid exceeding the proposed annual caps for the Deposit Services.
- iii. On a monthly basis, the Finance Department of the Company will report to the management of the Company of any updates in relation to the continuing connected transactions. Such report principally covers (1) deposit balance and loan balance as of the end of the previous month; (2) new deposit and loan interest of the previous month; (3) deposit utilisation plan and purposes for this month; and (4) loan repayment of principal and interest of the current month and the source of funds.
- iv. The independent non-executive Directors and the Company's auditors will review annually the enforcement of relevant continuing connected transactions under the Renewed Financial Services Agreement and provide annual confirmations in accordance with the Listing Rules that relevant continuing connected transactions are conducted in accordance with the terms of the Renewed Financial Services Agreement, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

We concur with the Directors that the above capital risk control measures are adequate to cover the risks involved in relevant continuing connected transactions with Datang Finance, and we consider such will ensure that the terms, especially the interest rates, will be on normal commercial terms or better than that offered by other independent financial institutions.

Proposed annual caps of the Deposit Services and the basis thereof

The Company estimates that the proposed annual caps for the Deposit Services for the maximum daily deposit balance (including any relevant interest accrued therefrom) with Datang Finance for each of the years ending 31 December 2025, 2026 and 2027 is RMB4,000 million, after taking into account of the following factors:

1. The balance of cash and cash equivalents of the Group amounted to approximately RMB1,539.0 million as of 30 June 2024;
2. The Company has applied to the National Association of Financial Market Institutional Investors for registration and issuance of super short-term commercial paper of no more than RMB3,000 million. The balance of deposit is expected to be close to the proposed annual caps for the Deposit Services of RMB4,000 million if the Company issues one-off super short-term commercial paper of more than RMB2,400 million and temporarily places all the proceeds into the Group's deposit account opened at Datang Finance; and

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3. The balance of trade, bills receivables and contract assets of the Group amounted to approximately RMB7,648.9 million as of 30 June 2024. The balance of deposit may also experience significant increase within a short term and will be close to the proposed annual caps for the Deposit Services of RMB4,000 million if the Group recovers a large amount of trade, bills receivables and contract assets within a short term and places the receivables and contract assets into the Group's deposit account opened at Datang Finance.

We have reviewed the Company's circular dated 18 September 2023, in respect of, inter alia, the proposed issuance of super short-term commercial paper of up to RMB3 billion and note that the proceeds raised was intended to replenish the working capital and project investments and repay debts which fall due and payable. Shareholder's approval for the super short-term commercial paper was obtained at the Company's extraordinary general meeting on 20 December 2023.

Due to the balance of cash and cash equivalents of the Group amounted to approximately RMB1,524.0 million as of 30 June 2024, the issuance and short-term placement of the RMB3 billion of super short-term commercial paper and the timing of recovery of the trade, bills receivables and contract assets, the total short-term cash balance of the Company can be as high as over RMB12.1 billion, which is more than 3 times above the proposed annual cap of RMB4 billion.

In view of the above, we concur with the Directors that the proposed annual caps for the Deposit Services for the maximum daily deposit balance with Datang Finance of RMB4,000 million for each of the three years ending 31 December 2027 is fair and reasonable.

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Historical Transaction Amounts and Utilisation Rates

The Renewed Financial Services Agreement renews the loan services, the Deposit Services and the Other Financial Services under the Existing Financial Services Agreement. The historical transaction amounts of the Deposit Services under the Existing Financial Services Agreement for the years ended 31 December 2022, 2023 and six months ended 30 June 2024, and the historical annual caps and the utilisation rates for the year ended 31 December 2023, being the latest full financial year available, and the six months ended 30 June 2024, are as follows:

	Historical transaction amounts			Historical	Historical
	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024	annual cap for the year ended 31 December 2023 (Utilisation rate %)	annual cap for the year ending 31 December 2024 (Annualised utilisation rate %)
<i>(RMB'000)</i>					
Deposit Services	1,304,390	1,717,713	1,740,322	4,000,000	4,000,000
- Actual maximum daily deposit balance (including any relevant interest accrued therefrom)				(42.9%)	(87.0%) <i>(Note 1)</i>

Note:

- The annualised utilisation rate is calculated by taking the actual transaction amounts for the six months ended 30 June 2024 and dividing it by the proportionate six-month portion of the historical annual cap for the year ending 31 December 2024 for illustration purposes.

We note that the utilisation rate and the annualised utilisation rate represents approximately 42.9% and 87.0% of the existing annual cap for the year ended 31 December 2023 and the year ending 31 December 2024 respectively and we understand that the reasons for the low utilisation rate of the annual cap for Deposit Services for the year ended 31 December 2023 are that the Company's accounts receivable recovery has been satisfactory in recent years, its cash flow position has continued to improve, and there have been no large-scale capital expenditure projects. Therefore, no financing activities such as bond issuance of a large amount have been undertaken, and no instantaneous substantial increase in the deposit balance has occurred. In view of the relatively high annualised utilisation rate as seen for the year ending 31 December 2024, we have discussed with the Company the reasons for maintaining the same proposed annual cap of RMB4 billion for each of the three years ending 31 December 2027 and consider such proposed annual caps are fair and reasonable in view of the anticipated financing needs of the Company as set out above.

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Reasons for and Benefits of Entering into the Renewed Financial Services Agreement

The Deposit Services will be conducted in the ordinary and usual course of business of the Company, on normal commercial terms and on terms similar to or even more favourable than those available to the Company from independent third parties in the PRC. Accordingly, we agree that such transactions are beneficial to the Group and furthermore, the Group can earn interests or enjoy benefits through such transactions at terms no less favourable than that offered by independent third parties.

Furthermore, due to the long-term relationship between the Group and China Datang Group, the Directors consider that it is beneficial to the Company to enter into continuing connected transactions with companies affiliated to China Datang. They are familiar with the Group's operations and requirement on the products and services, and will be able to respond more quickly and in a more cost efficient manner to the requirements that the Group may have as compared with other financial institutions unrelated to China Datang Group.

In addition, as the customers of Datang Finance are limited to entities affiliated to China Datang and its subsidiaries under applicable laws and regulations, it reduces default risk and liquidity risk that Datang Finance may otherwise be exposed to if its customers include entities unrelated to China Datang. Such risk control measures adopted by Datang Finance are adequate to mitigate default risk and liquidity risk involved in receiving financial services from Datang Finance. Security of capital of the Group may be undermined in case of breach of contract or illiquidity of Datang Finance as the Group plans to place cash into its deposit account opened at Datang Finance. As such, Datang Finance's effective control over the breach of contract and liquidity risk will be conducive to the reduction of the Group's capital risk.

We concur with the Directors that the terms of the Deposit Services under the Renewed Financial Services Agreement and the proposed annual caps are entered into based on arm's length negotiations, on normal commercial terms, in the ordinary and usual course of business, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Relevant Internal Control Measures of the Deposit Services

For the Company's internal control measures that are implemented to closely monitor and manage new and ongoing connected transactions with China Datang Group, please refer to the information provided under the subsection "Relevant Internal Control Measures of the Renewed Integrated Product and Service Framework Agreement" as set out in the Letter from the Board.

We have reviewed the latest letter issued by the external auditor of the Company to the Board to report on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions of the Company conducted during the preceding financial year pursuant to the Listing Rules. Accordingly, we consider that the pricing policies and internal control procedures set out above were properly followed and we are of the view that the above measures can effectively manage the potential risks relating to the Deposit Services under the Renewed Financial Services Agreement and will ensure that the Deposit Services will be conducted on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned

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RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular:

- (1) the pricing principles and internal control measures under the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement as set out above;
- (2) the reasons for the respective proposed annual caps of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement as set out above; and
- (3) the benefits brought about to the Group by the respective services contemplated under the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement as set out above;

we are of the opinion that the terms of the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement are in the ordinary and usual course of business of the Group, are conducted on normal commercial terms or better, and are fair and reasonable so far as the Independent Shareholders are concerned, and the said terms and the Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Continuing Connected Transactions under the Renewed Integrated Product and Service Framework Agreement, the Renewed Financial Services Framework Agreement and the Deposit Services under the Renewed Financial Services Agreement together with the proposed annual caps applicable thereto at the 2024 Third EGM.

Yours faithfully,
For and on behalf of
Trinity Corporate Finance Limited
Joanne Pong
Responsible Officer

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 respectively, with no qualified audit opinion expressed on the financial statements of the Group for the three years ended 31 December 2021, 2022 and 2023, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.dteg.com.cn>):

- the annual report of the Company for the year ended 31 December 2021 published on 29 April 2022 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901080.pdf>;
- the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601641.pdf>;
- the annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042602536.pdf>;

and

- the interim report of the Company for the six months ended 30 June 2024 published on 25 September 2024 at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0925/2024092500604.pdf>.

2. INDEBTEDNESS

At the close of business on 31 October 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular. The Group had outstanding indebtedness as follows:

	Effective Interest Rate %	Maturity Date	As at 31 October 2024 RMB'000
Bank borrowings			
– Unsecured and unguaranteed	2.45% – 3.80%	2024 to 2033	3,189,201.43
Other loans			
– Bonds, unsecured and unguaranteed	3.39%	2024	600,000.00
– Super short-term commercial papers, unsecured and unguaranteed	2.14%	2025	500,000.00
– Unsecured and unguaranteed	2.50%	2023 to 2026	100,000.00
Lease liabilities, unsecured and unguaranteed			278,741.56

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding.

The Directors confirm that there was no material change in the indebtedness of the Group since 31 October 2024 up to the date of this circular.

3. WORKING CAPITAL

Taking into account the financial resources available to the Group, including cash and cash equivalents, cash generated from operations and unutilised financial facilities, the Directors are of the view that, the Group will have sufficient working capital for its present requirements, which is for at least 12 months from the date of this circular. The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group plans to focus on three aspects in the next stage of development:

First, we will firmly promote the deepening and upgrading of reform. The Company will thoroughly implement the decision and deployment of the Third Plenary Session of the 20th Central Committee of the Communist Party of China on comprehensively deepening reform, and drive the deepening and enhancement of the reform. We will adhere to the principle of “staying focused and prudent”, make timely adjustments and withdraw from overseas engineering, renewable energy engineering EPC contracting and other businesses with its insufficient market competitiveness and weak profitability, and concentrate resources on developing strategic emerging industries to establish a new industrial sector framework. The Group will give full play to the market-oriented mechanism as the “leading edge” in the reform process. Based on the core principles of focusing on environmental protection, strengthening technological innovation and developing strategic emerging industries, we will continue

to adjust and optimize internal organizational structure, continuously improve and perfect market-oriented operating mechanisms such as competitive hiring and efficiency-linked incentives to lay a solid foundation for high-quality development.

Second, we will cultivate and strengthen strategic emerging industries. The Company will focus on strategic emerging industries and advance research and development and application of key core technologies, and strive to streamline the whole process of “technology research and development, industry incubation, and project investment” to cultivate these strategic emerging industries. In terms of new catalysts, the Group is dedicated to advance the high-porosity honeycomb catalyst technology, accelerate breakthroughs in new products such as medium and low temperature honeycomb catalysts and low porosity honeycomb catalysts for cement use. In terms of carbon monitoring, the Group will accelerate the certification of China Certification for Environmental Products (CCEP) products, improve the market development and product promotion system, and promote the landing of marketisation projects for carbon monitoring products. In terms of renewable energy solid waste, the Group will accelerate the research and development of pyrolysis and chemical disposal technologies for waste wind turbine blades, develop solid waste traceability control and carbon footprint tracking systems, and simultaneously carry out preliminary work such as site selection for the demonstration base for disposal of waste wind turbine blades. In terms of integrated smart energy, the Group will intensify its efforts to develop industrial and commercial distributed photovoltaics and user-side energy storage projects to realize coordinated development of photovoltaic, storage and charging, and rely on China First Heavy to develop waste heat utilization projects with the aim of creating clean heating and comprehensive smart energy products with independent intellectual property rights.

Third, we will strengthen the construction of core capabilities in the engineering business. The Company will adopt the “4A project (四優工程)” as the overall goal, comprehensively improve the three capabilities in technology, market and project management, and make every effort to increase the scale and profitability of the engineering segment, and turn around the adverse situation of continuing losses of the engineering segment. The Group will expand the scale of traditional environmental protection business, serve the “dual carbon” goal on the basis of traditional advantageous environmental protection businesses such as desulfurization, denitrification, dust removal and sewage treatment in coal-fired power plants, and expand into new industries such as carbon emission reduction, mine water treatment and other specialised sewage treatment. Besides, the Group will obtain the first-class qualification for environmental engineering professional contracting as soon as possible to enhance its qualification and capability levels. The Group will strengthen consulting service capabilities for renewable energy engineering construction, leverage the leading role of the renewable energy design institute (新能源設計院) in design, integrate advantageous resources, and promote the transformation of the existing renewable energy engineering EPC contracting business model to a design consulting service model.

For the financial year ending 31 December 2024, the Group expects its revenue to remain largely stable as compared to the previous year. Net profit of the Group is anticipated to record an increase, while the cash flow position is expected to maintain stable.

In terms of business segments, (i) for environmental protection and energy conservation solutions, the Group expects this segment to record growth in both revenue and gross profit margin, with improvement in profitability; (ii) for renewable energy engineering, revenue from this segment is

expected to decrease while maintaining a relatively low gross profit margin; and (iii) for thermal power engineering and other businesses, these segments are expected to continue to account for a relatively small proportion of the Group's overall revenue and profit. The aforesaid information is only based on a preliminary assessment by the Company's management on the recent unaudited consolidated management accounts of the Group and other information currently available, which have not been audited, finalised or reviewed by the Company's auditors, nor based on any figures or information reviewed or approved by the audit committee of the Company.

The Group will continue to implement various strategic initiatives as mentioned above to maintain sustainable growth and enhance Shareholders' value.

5. EFFECT OF THE DEPOSIT SERVICES ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Group expects that the Deposit Services under the Renewed Financial Services Agreement will not have any material effect on its earnings, assets or liabilities.

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS AND CONFIRMATIONS

- (1) as at the Latest Practicable Date, none of the Directors, Supervisors or senior management of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provision of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers;
- (2) the Company has not granted its Directors, Supervisors, senior management of the Company or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities;
- (3) as at the Latest Practicable Date, four Directors held the following positions with China Datang Group: (a) Mr. Xu Chun served as a director, the general manager, and the deputy secretary of the Party committee at Datang (Inner Mongolia) Energy Development Co., Ltd.* (大唐(內蒙古)能源開發有限公司); (b) Mr. Pang Xiaojin served as the deputy director of the business management department at China Datang; (c) Mr. Xia Huaixiang served as a director at Datang Hainan Energy Development Co., Ltd.* (大唐海南能源開發有限公司); and (d) Mr. Chu Hongbo served as a director at Datang Heilongjiang Power Generation Co., Ltd.* (大唐黑龍江發電有限公司). Save as disclosed above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2023, being the date to which the latest published audited annual financial statements of the Company were made up, and which was subsisting as at the Latest Practicable Date and significant in relation to the business of the Group;
- (4) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2023, being the date to which the latest published audited annual financial statements of the Company were made up;

* *For identification purpose only*

- (5) save as disclosed in the section headed “Interests of Directors in Competing Business” below, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder);
- (6) the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2023, the date to which the latest published audited annual financial statements of the Company were made up;
- (7) none of the Directors has entered into a service contract with any member of the Group which does not expire or which is not determinable by the employer within one year without payment of compensation, other than statutory compensation; and
- (8) the Board confirms that, after making all reasonable enquires and to the best of their knowledge, information and belief, there are no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholders, or any obligation or entitlement of any Shareholders as at the Latest Practicable Date, whereby such Shareholders have or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares, either generally or on a case-by-case basis.

3. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed in this circular, the Directors confirm that, as of the Latest Practicable Date, none of the Directors or their close associates had any direct or indirect interest in any business which competes or might compete with our principal business.

4. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS HOLDING DISCLOSABLE INTERESTS IN THE COMPANY

As at the Latest Practicable Date, to the best of the Directors’ knowledge, having made all reasonable enquiries, the following persons (other than the Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and, which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of Shares/ underlying Shares	Percentage in the relevant	Percentage in
			directly or indirectly held (Shares)	class of Share capital ⁽¹⁾ (%)	the total Share capital ⁽²⁾ (%)
China Datang	Domestic Shares	Beneficial owner	2,343,245,800 (Long position)	100	78.96

APPENDIX II
GENERAL INFORMATION OF THE GROUP

Name of Shareholders	Class of Shares	Capacity	Number of Shares/ underlying Shares directly or indirectly held (Shares)	Percentage in the relevant class of Share capital ⁽¹⁾ (%)	Percentage in the total Share capital ⁽²⁾ (%)
Anbang Investment Holdings Co., Limited (安邦投資控股有限公司) ⁽³⁾	H Shares	Beneficial owner	120,540,000 (Long position)	19.31	4.06
Anbang Group Holdings Co. Limited (安邦集團控股有限公司) ⁽³⁾	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Dajia Life Insurance Co., Ltd. (大家人壽保險股份有限公司) ⁽³⁾	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
Dajia Insurance Group Co., Ltd. (大家保險集團有限責任公司) ⁽³⁾	H Shares	Interest in controlled corporation	120,540,000 (Long position)	19.31	4.06
China Chengtong Hong Kong Company Limited (中國誠通香港有限公司) ⁽⁴⁾	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07
China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司) ⁽⁴⁾	H Shares	Interest in controlled corporation	61,557,000 (Long position)	9.86	2.07
China Energy Engineering Corporation Limited (中國能源建設集團有限公司)	H Shares	Beneficial owner	61,557,000 (Long position)	9.86	2.07
State Grid Yingda International Holdings Group Ltd. (國網英大國際控股集團有限公司) ⁽⁵⁾	H Shares	Beneficial owner	61,467,000 (Long position)	9.85	2.07
State Grid Corporation of China (國家電網公司) ⁽⁵⁾	H Shares	Interest in controlled corporation	61,467,000 (Long position)	9.85	2.07
Three Gorges Capital Holdings Co., Ltd. (三峽資本控股有限責任公司) ⁽⁶⁾	H Shares	Beneficial owner	59,461,000 (Long position)	9.52	2.00
China Three Gorges Corporation (中國長江三峽集團公司) ⁽⁶⁾	H Shares	Interest in controlled corporation	59,461,000 (Long position)	9.52	2.00
China Huaneng Group Hong Kong Limited (中國華能集團香港有限公司) ⁽⁷⁾	H Shares	Beneficial owner	49,002,000 (Long position)	7.85	1.65
China Huaneng Group (中國華能集團公司) ⁽⁷⁾	H Shares	Interest in controlled corporation	49,002,000 (Long position)	7.85	1.65
China Huadian Hong Kong Company Limited (中國華電香港有限公司) ⁽⁸⁾	H Shares	Beneficial owner	48,628,000 (Long position)	7.79	1.64
China Huadian Corporation (中國華電集團公司) ⁽⁸⁾	H Shares	Interest in controlled corporation	48,628,000 (Long position)	7.79	1.64
Taiping General Insurance Co., Ltd. (太平財產保險有限公司) ⁽⁹⁾	H Shares	Beneficial owner	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) ⁽⁹⁾	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance (HK) Company Limited (中國太平保險集團(香港)有限公司) ⁽⁹⁾	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38
China Taiping Insurance Group Ltd. (中國太平保險集團有限責任公司) ⁽⁹⁾	H Shares	Interest in controlled corporation	41,038,000 (Long position)	6.57	1.38

Name of Shareholders	Class of Shares	Capacity	Number of Shares/ underlying Shares directly or indirectly held (Shares)	Percentage in the relevant class of Share capital ⁽¹⁾ (%)	Percentage in the total Share capital ⁽²⁾ (%)
China Life Franklin Asset Management Co., Limited (中國人壽富蘭克林資產管理有限公司) ⁽¹⁰⁾	H Shares	Investment manager	99,827,000 (Long position)	15.99	3.36
China Life Insurance (Group) Company (中國人壽保險(集團)公司) ⁽¹⁰⁾	H Shares	Beneficial owner	38,402,000 (Long position)	6.15	1.29
		Interest in controlled corporation	61,425,000 (Long position)	9.84	2.07

Notes:

- (1) The calculation is based on the percentage of shareholding in a total of 2,343,245,800 Domestic Shares and a total of 624,296,200 H Shares respectively as at the Latest Practicable Date.
- (2) The calculation is based on the percentage of shareholding in a total of 2,967,542,000 Shares as at the Latest Practicable Date.
- (3) Anbang Investment Holdings Co., Limited is a wholly-owned subsidiary of Anbang Group Holdings Co. Limited. Anbang Group Holdings Co. Limited is a wholly-owned subsidiary of Dajia Life Insurance Co., Ltd., which is wholly-owned by Dajia Insurance Group Co., Ltd.
- (4) China Chengtong Hong Kong Company Limited is a wholly-owned subsidiary of China Chengtong Holdings Group Ltd.
- (5) State Grid Yingda International Development Holdings Group Ltd. is a subsidiary of State Grid Corporation of China.
- (6) Three Gorges Capital Holdings Co., Ltd. is a wholly-owned subsidiary of China Three Gorges Corporation.
- (7) China Huaneng Group Hong Kong Limited is a wholly-owned subsidiary of China Huaneng Group.
- (8) China Huadian Hong Kong Company Limited is a wholly-owned subsidiary of China Huadian Corporation.
- (9) Taiping General Insurance Co., Ltd. is a subsidiary of China Taiping Insurance Holdings Company Limited. China Taiping Insurance Holdings Company Limited is a subsidiary of China Taiping Insurance (HK) Company Limited, which is a wholly-owned subsidiary of China Taiping Insurance Group Ltd.
- (10) China Life Asset Management Company Limited is a controlling shareholder of China Life Franklin Asset Management Co., Limited. China Life Asset Management Company Limited is a subsidiary of China Life Insurance Company Limited, which is controlled by China Life Insurance (Group) Company.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge of the Directors, the Directors were not aware of any persons who had interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

5. QUALIFICATION OF EXPERT AND CONSENT

The following are the qualifications of the expert who has provided opinions or advice contained in this circular:

Name	Qualification
Trinity Corporate Finance Limited	A corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO

- (1) As at the Latest Practicable Date, the expert listed above did not hold any beneficial interest in the share capital of any member of the Group, nor did it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (2) The expert listed above has given and has not withdrawn its written consent to the issue of this Circular with inclusion of its letter (as the case may be) and the reference to its name included herein in the form and context in which they currently appear.
- (3) As at the Latest Practicable Date, the expert listed above did not have any interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (4) The letter and recommendation given by Trinity Corporate Finance Limited are given as of the date of this circular for incorporation herein.

6. MATERIAL CONTRACTS

No contracts, not being contracts entered into in ordinary course of business carried on or intended to be carried on by the Group, have been entered into by the members of the Group within two years preceding the Latest Practicable Date and up to the Latest Practicable Date and which are, or maybe, material.

7. LITIGATION

As at the Latest Practicable Date, save as disclosed in this circular, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

8. OTHER INFORMATION

- (1) The joint company secretaries of the Company are Mr. Leung Chi Kit, who is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, and Mr. Li Lijian, who is a member of the Communist Party of the PRC and a senior economist.
- (2) The registered office of the Company is No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC.
- (3) The head office of the Company in the PRC is No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, and the principal place of business in Hong Kong is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.
- (4) H Share Registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (5) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at www.dteg.com.cn from the date of this circular up to and including the date of the 2024 Third EGM:

- (1) the Renewed Integrated Product and Service Framework Agreement;
- (2) the Renewed Financial Services Framework Agreement;
- (3) the Renewed Financial Services Agreement;
- (4) the letter from the Independent Board Committee, full text of which is set out on pages 43 to 44 of this circular;
- (5) the letter from the Independent Financial Adviser, full text of which is set out on pages 45 to 88 of this circular;
- (6) the written consent of the expert referred to paragraph 5 of Appendix II; and
- (7) this circular.

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING



Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

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

(Stock Code: 1272)

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 third extraordinary general meeting of Datang Environment Industry Group Co., Ltd.* (the “**Company**”) will be convened at 2:00 p.m. on Monday, 30 December 2024 at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, for the purpose of considering and, if thought fit, passing the following matters (whether amended or not). Unless otherwise specified, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 11 December 2024 (the “**Circular**”).

Ordinary Resolutions

- (1) To consider and approve the Renewed Integrated Product and Service Framework Agreement entered into between the Company and China Datang and the continuing connected transactions on the service provision business contemplated therein (including proposed annual caps);
- (2) To consider and approve the Renewed Integrated Product and Service Framework Agreement entered into between the Company and China Datang and the continuing connected transactions on the product business contemplated therein (including proposed annual caps);
- (3) To consider and approve the Renewed Integrated Product and Service Framework Agreement entered into between the Company and China Datang and the continuing connected transactions on the engineering business contemplated therein (including proposed annual caps);
- (4) To consider and approve the Renewed Integrated Product and Service Framework Agreement entered into between the Company and China Datang and the continuing connected transactions on the service procurement business contemplated therein (including proposed annual caps);
- (5) To consider and approve the Renewed Integrated Product and Service Framework Agreement entered into between the Company and China Datang and the continuing connected transactions on the equipment and raw material procurement business contemplated therein (including proposed annual caps);
- (6) To consider and approve the Renewed Financial Services Framework Agreement entered into between the Company and Datang Capital and the continuing connected transactions on the commercial factoring service contemplated therein (including proposed annual caps);

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

- (7) To consider and approve the Renewed Financial Services Framework Agreement entered into between the Company and Datang Capital and the continuing connected transactions on the financial leasing service contemplated therein (including proposed annual caps);
- (8) To consider and approve the Renewed Financial Services Framework Agreement entered into between the Company and Datang Capital and the continuing connected transactions on the entrusted loan service contemplated therein (including proposed annual caps); and
- (9) To consider and approve the Renewed Financial Services Agreement entered into between the Company and Datang Finance and the continuing connected transactions on the Deposit Services contemplated therein (including proposed annual caps).

The main texts and relevant details of resolutions at the 2024 Third EGM are set forth in the Circular thereof, which are available on the website of the Stock Exchange (www.hkex.com.hk) and on the website of the Company (www.dteg.com.cn).

By order of the Board
Datang Environment Industry Group Co., Ltd.*
Zhu Liming
Chairman

Beijing, the PRC, 11 December 2024

As of the date of this notice, the executive Director is Mr. Zhu Liming; the non-executive Directors are Mr. Xu Chun, Mr. Pang Xiaojin, Mr. Xia Huaixiang, Mr. Chu Hongbo and Mr. Song Yunpeng; and the independent non-executive Directors are Mr. Mao Zhuanjian, Mr. Suen Chun Hung, Benjamin and Ms. Hu Yunqing.

* *For identification purpose only*

NOTICE OF THE 2024 THIRD EXTRAORDINARY GENERAL MEETING

Notes:

- i. In order to ascertain the entitlements of the Shareholders to attend and vote at the 2024 Third EGM, the register of members of the Company will be closed from Monday, 23 December 2024 to Monday, 30 December 2024 (both days inclusive), during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Monday, 30 December 2024 are entitled to attend and vote at the 2024 Third EGM.

To be eligible to attend and vote at the 2024 Third EGM, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's board office in the PRC at No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097 (for holders of Domestic Shares), no later than 4:30 p.m. on Friday, 20 December 2024.

- ii. Each Shareholder entitled to attend and vote at the 2024 Third EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2024 Third EGM on its behalf. A proxy need not be a Shareholder. With respect to any Shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.
- iii. The instrument to appoint a proxy shall be signed by the appointer or his attorney duly authorised in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its directors or attorney duly authorised.
- iv. To be valid, the form of proxy must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Company's board office in the PRC (for holders of Domestic Shares) within 24 hours prior to the holding of the 2024 Third EGM. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the instrument appointing the proxy, be deposited at the specified place at the time set out in such instrument. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the 2024 Third EGM or any adjourned meetings should you so wish.
- v. Shareholders shall produce their identity documents and supporting documents in respect of Shares held when attending the 2024 Third EGM. If corporate Shareholders appoint authorised representative to attend the 2024 Third EGM, the authorised representative shall produce his/her identity documents and a notarised certified copy of the relevant authorised documents signed by the Board or other authorised parties of the Shareholders or other notarised certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy forms signed by the Shareholders or their attorney when attending the 2024 Third EGM.
- vi. The Company has the rights to request a proxy who attends the 2024 Third EGM on behalf of a Shareholder to provide proof of identity.
- vii. The 2024 Third EGM is expected to be held for less than half a day. Shareholders who intend to attend the 2024 Third EGM shall bear their own transportation and accommodation expenses.
- viii. In case of joint Shareholders, the vote of the most senior one (in person or by proxy) will be accepted to the exclusion of the votes of other joint Shareholders, and for this purpose, the seniority shall be determined by the order in which the names of such joint Shareholders stand in the register of members of the Company.
- ix. H Share Registrar, Computershare Hong Kong Investor Services Limited, is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and with the fax number: +852 2865 0990.
- x. The contact details of the Company's board office in the PRC are as follows:
Address: No. 120 Zizhuyuan Road, Haidian District, Beijing, the PRC, 100097
Fax number: +86 10 5838 9860