
CONNECTED TRANSACTIONS

We have and will continue to carry out certain transactions with our connected persons set out more particularly below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

CONNECTED PERSONS

The table below sets forth parties who are connected persons with whom we will continue to carry out transactions on a continuing basis upon Listing and the nature of their connection with our Group:

<u>Name</u>	<u>Connected Relationship</u>
Guangdong Huaxia Electric Yangxi Electric	Yangxi Electric is a wholly-owned subsidiary of Guangdong Huaxia Electric, which is owned and controlled by, through various intermediaries, Mr. Zhu Yihang (朱一航), the brother and an associate of Mr. Zhu, who is our substantial shareholder
Richinfo	Richinfo is owned as to 49.50% by Mr. Zeng and an independent third party in aggregate acting-in-concert with each other. Mr. Zeng is our executive Director and Ultimate Controlling Shareholder
Fushun Research Institute	Fushun Research Institute, a branch of China Petroleum & Chemical Corporation, the parent company of Sinopec, one of our substantial shareholders
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. (中國石化上海高橋石油化工有限公司) (“ Gaoqiao Petrochemical ”)	Gaoqiao Petrochemical, a fellow subsidiary (as defined in the Listing Rules), is owned as to 55% by China Petroleum & Chemical Corporation, the parent company of Sinopec, one of our substantial shareholders
Sinopec Shanghai Petrochemical Company Limited (中國石化上海石油化工有限公司) (“ Sinopec Shanghai ”)	Sinopec Shanghai, a fellow subsidiary (as defined in the Listing Rules), is owned as to 50.56% by China Petroleum & Chemical Corporation, the parent company of Sinopec, one of our substantial shareholders
Shouyang Power	Shouyang Power, through various intermediaries, is 40% held by Mr. Cheng and Mr. Zeng, our Ultimate Controlling Shareholders

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

	Agreement for second stage development of visualization system with Richinfo	Design and EPC contracts with Sinopec ⁽¹⁾	Technology Licensing Contract	Shouyang Contract	Yangxi Agreements
Applicable Listing Rules	14A.13, 14A.34, 14A.52, 14A.53 and 14A.76	14A.13, 14A.34 14A.35, 14A.36 14A.49, 14A.52 14A.53, 14A.71 and 14A.81	14A.13, 14A.34, 14A.35, 14A.36, 14A.49, 14A.52 14A.53 and 14A.71	14A.13, 14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	14A.13, 14A.34, 14A.35 14A.36, 14A.49, 14A.52 14A.53 and 14A.71
Waiver sought	N/A	Announcement and independent shareholders' approval requirements	Contract term exceeding three years	Announcement and independent shareholders' approval requirement	Contract term exceeding three years Announcement and independent shareholders' approval requirement
Contract value	RMB1,350,000	Technical service contract with Fushun Research Institute: RMB500,000 Sinopec Shanghai EPC project: RMB224,626,000 Gaoqiao Petrochemical EPC project: RMB16,990,000 Sinopec Shanghai #3-4 EPC project: RMB91,123,500	N/A	RMB287,560,000	N/A
Historical amounts (RMB)	For the year ended December 31, 2014: NIL 2015: NIL 2016: NIL For the nine months ended September 30, 2017: NIL	For the year ended December 31, 2014: NIL 2015: NIL 2016: NIL For the nine months ended September 30, 2017: 64,149,000	N/A	For the year ended December 31, 2014: NIL 2015: NIL 2016: 55,920,000 For the nine months ended September 30, 2017: 20,654,000	O&M For the year ended December 31, 2014: NIL 2015: NIL 2016: NIL For the nine months ended September 30, 2017: 141,174,000 Ancillary charge for the year ended December 31, 2014: NIL 2015: NIL 2016: NIL For the nine months ended September 30, 2017: 54,021,000

CONNECTED TRANSACTIONS

	Agreement for second stage development of visualization system with Richinfo	Design and EPC contracts with Sinopec ⁽¹⁾	Technology Licensing Contract	Shouyang Contract	Yangxi Agreements
Proposed annual caps (RMB)	N/A	For the year ending December 31, 2018: 184,000,000 ⁽²⁾	N/A	For the year ending December 31, 2018: 60,000,000 2019: 150,000,000	O&M For the year ending December 31, 2018: 245,000,000 ⁽⁴⁾ 2019: 245,000,000 2020: 245,000,000 Ancillary charge For the year ending December 31, 2018: 85,050,000 2019: 85,050,000 2020: 85,050,000
Expected completion date or expiry of term	December 31, 2018	Please refer to the disclosures in the paragraph headed “Design and EPC contracts with Sinopec” in this section.	5 years from the signing date, i.e. September 14, 2017, of the Technology Licensing Contract	The Shouyang Contract was entered into in December 2015, and the Contract will expire upon the completion of the contracted work under the Shouyang Contract.	January 1, 2017 to December 31, 2025.

Notes:

- (1) The continuing connected transactions were all made with the group companies of China Petroleum and Chemical Corporation, the parent company of one of our substantial shareholders, Sinopec, in relation to the provision of design and EPC services by Beijing Boqi, pursuant to which income shall be received by the Group. Such transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules except for the Technology Licensing Contract. Further details are set out in the section headed “Connected Transactions—Non-exempt continuing connected transactions—Design and EPC Contracts with Sinopec.”
- (2) The proposed annual caps for the year ending December 31, 2018 are derived from the sum of 1) the estimated transaction amount of RMB75,000,000 receivable under the contract in respect of the Sinopec EPC project for the year ending December 31, 2018; 2) the estimated transaction amount of RMB9,000,000 receivable under the contract in respect of the Gaoqiao Petrochemical EPC Project for the year ending December 31, 2018; and 3) the estimated transaction amount of RMB100,000,000 receivable under the contract for the Sinopec Shanghai #3-4 EPC project for the year ending December 31, 2018. We entered into the EPC contracts with Sinopec in 2017, under which the contract work started in late 2017. As we recognize revenue from EPC projects in line with the construction progress, revenue recognized from our EPC contracts with Sinopec represented a relatively low percentage of the total contract value for the nine months ended September 30, 2017 and more revenue will be recognized upon the completion of the projects which expect to be end of 2018.
- (3) We recognize revenue from EPC projects in line with the construction progress. The decrease in revenue recognized for the nine months ended September 30, 2017 compared to the year ended December 31, 2016 was primarily due to the suspension of construction works under the Shouyang Contract as a result of enforcement of national policy on the restriction on the expansion of coal-fired power plants. Since we expect to resume our contract works under the Shouyang Contract in 2018, the revenue expects to be recognized for the years ending December 31, 2018 and 2019 will increase in line with the construction progress of Shouyang Green Island Project.
- (4) As the environmental protection acceptance procedures of the Upgrade Units were completed in July 2017 and December 2017, respectively, the revenue in respect of the relevant “ultra-low emission” subsidies will be recognized under the Yangxi Agreements for the three years ending December 31, 2018, 2019 and 2020. However, such subsidies were not yet available for the nine months ended September 30, 2017.

EXEMPT CONTINUING CONNECTED TRANSACTION

Upon Listing, the transaction set forth below will constitute an exempt continuing connected transaction of our Group for the purpose of Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Agreement for second stage development of visualization system

Beijing Boqi and Richinfo entered into an agreement for second stage development of visualization system in July 2017. The principal terms of such agreement are set out below:

Parties:	Beijing Boqi and Richinfo.
Scope of services:	Beijing Boqi and Richinfo entered into an agreement whereby Richinfo is to provide hardware and software for the second stage development of a data visualization system for Beijing Boqi.
Price:	The contract value totaled RMB1,350,000.
Payment terms:	Payment shall be made in three instalments. The first instalment of 50% of the purchase price to be paid after signing of the agreement and submission of the project proposal by Richinfo. The second instalment of 45% of the purchase price shall be paid within seven business days of the testing and acceptance of the visualization system. The third instalment of 5% of the purchase price shall be paid within five business days from the date of the first anniversary of the testing and acceptance of the visualization system.
After sales service:	Richinfo shall provide one year of free maintenance and service for the data visualization system commencing from the date of the agreement.
Delivery of services:	<p>The data visualization system is expected to be completed by December 31, 2017.</p> <p>On December 31, 2017, Beijing Boqi entered into a supplemental agreement with Richinfo to extend the completion of this agreement to December 31, 2018.</p>

Reasons for the above connected transaction

Richinfo is a supplier of internet technology services and has provided various services to small to medium enterprises and government departments in respect of electronic mail servers, internet application platforms and cloud storage services. In selecting Richinfo, Beijing Boqi had internally assessed its information technology system needs and the terms of the said agreement. The purchase and development of the visualization system is for the purpose of upgrading the information technology and internal communications of our Group.

The Group expects to make the first and second instalments in an aggregate amount of RMB1,282,500 in 2018 and the third instalment in the amount of RMB67,500 in 2019.

We confirm that the connected transaction detailed above was entered into on normal commercial terms and in the ordinary and usual course of business and will cease upon completion. The terms of the above connected transaction were determined on an arm's length basis with reference to market price for similar services and were fair and reasonable and in the interests of the Group.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Design and EPC contracts with Sinopec

1. *Technical Service Contract with Fushun Research Institute*

Parties:	Beijing Boqi and Fushun Research Institute
Term:	September 2017 to December 2019
Contract scope:	Beijing Boqi and Fushun Research Institute entered into a technical service contract (“ Technical Service Contract ”) whereby Beijing Boqi provides technical service to Fushun Research Institute in relation to fluid catalytic cracking design for deep dust removal and defogging of regenerative flue gas. Beijing Boqi shall deliver design documents in both hard copy and electronic copy, assist onsite construction and participate in initial debugging work. The technical service provided by Beijing Boqi shall be completed on December 31, 2019, whereas the design work shall be completed within 30 days after signing the Technical Service Contract.
Technical service fee:	RMB500,000
Payment:	Within 30 days after signing the Technical Service Contract, Beijing Boqi shall provide to Fushun Research Institute with a detailed blueprint. It shall issue an invoice upon acceptance of such blueprint by Fushun Research Institute based on the standards set by Sinopec in relation to the standards of detailed engineering design of engineering devices. Within 45 days upon the receipt of such invoice, Fushun Research Institute shall pay the technical service fee to Beijing Boqi.
Confidentiality:	Beijing Boqi shall keep all information obtained under and in relation to the Technical Service Contract confidential.
Reasons for and benefits of the transaction:	This transaction will enhance the engineering design business of our Group and expand our business opportunities with Sinopec and its group of companies for the Group to provide its wide range of services to market players of petro-chemical industry.

According to the Technical Service Contract, Beijing Boqi expects to receive the payment of the technical service fee from Fushun Research Institute in the amount of RMB500,000 for the year ended December 31, 2017. The payment of the technical service fee in the amount of RMB500,000 under the Technical Service Contract was settled on October 25, 2017.

2. *Sinopec Shanghai EPC project*

Parties:	Sinopec Shanghai and Beijing Boqi
Bid and contract scope:	On February 7, 2017, Beijing Boqi won a bid for an EPC project in connection with the upgrade of the desulfurization, denitrification and dust removal environmental facilities of a cogeneration power plant of Sinopec Shanghai for the purpose of meeting the “ultra-low emission” standards.

CONNECTED TRANSACTIONS

On March 1, 2017 Beijing Boqi entered into an EPC contract with Sinopec Shanghai finalizing the winning bid whereby Beijing Boqi will act as the main contractor. The upgrade work involves project design, procurement of equipment and materials, project construction and installation of five boiler fuel gas denitrification facilities (“**Upgrade Project**”).

Price: The contract price is RMB224,626,000 (including tax) comprised of construction fee, installation fee, fee for procurement of equipment and raw materials.

Term: The Upgrade Project is expected to be completed in December 2017.

Reasons for and benefits of the transaction: This transaction will enhance the desulfurization, denitrification and dust removal business operations of our Group and expand our business opportunities with Sinopec and its group of companies for provision of flue gas treatment business to market players of petro-chemical industry.

Historical transaction value

	Nine months ended September 30, 2017
	RMB
Sinopec Shanghai EPC project	63,279,000

Revenue of the Sinopec Shanghai EPC project and estimated annual caps.

For the nine months ended September 30, 2017, the revenue generated from the Sinopec Shanghai EPC project was RMB63,279,000. The maximum transaction amount under this contract will not exceed RMB75,000,000 for the year ending December 31, 2018.

3. Gaoqiao Petrochemical EPC project

Parties: Gaoqiao Petrochemical and Beijing Boqi

Bid and contract scope: On March 24, 2017, Beijing Boqi won a bid for a upgrade project in connection with the upgrade of denitrification facilities and boilers of the power plant of Gaoqiao Petrochemical (“**Gaoqiao Petrochemical EPC Project**”) for the purpose of meeting the “ultra-low emission” standards.

On April 27, 2017, Beijing Boqi and Gaoqiao Petrochemical entered into a contract finalizing the winning bid for the Gaoqiao Petrochemical EPC Project whereby Beijing Boqi will act as the main contractor.

Price: The contract price is RMB16,990,000 (including tax).

CONNECTED TRANSACTIONS

Payment terms: Payment will be made in four instalments. The first instalment of 15% of the contract price to be paid within 30 days after signing of the EPC contract and delivery and confirmation of the design blueprints. The second instalment of 25% of the contract price within 30 days of installation of the SCR system to the boiler facilities. The third instalment of 50% of the contract price to be paid within 90 days of the issuance of the certificate of compliance by the environmental department of the relevant government authority. The last instalment of 10% of the contract price within 30 days of expiry of the 18 months warranty period.

Term: The SCR systems for each boiler facility shall be delivered on May 6, 2017, May 30, 2017, July 6, 2017, July 30, 2017 and August 30, 2017 respectively.

According to the updated delivery schedule issued by Gaoqiao Petrochemical on December 26, 2017, the SCR systems for each boiler facility shall be delivered on January 5, 2018, January 11, 2018, February 10, 2018, May 6, 2018 and June 6, 2018, respectively.

Reasons for and benefits of the transaction: This transaction will enhance the desulfurization, denitrification and dust removal business operations of our Group and expand our business opportunities with Sinopec and its group of companies for provision of flue gas treatment business to market players of petro-chemical industry.

Historical transaction value

	Nine months ended September 30, 2017
	RMB
Gaoqiao Petrochemical EPC project	870,000

Revenue of the Gaoqiao Petrochemical EPC Project and estimated annual caps

For the nine months ended September 30, 2017, the revenue generated from the Gaoqiao Petrochemical EPC Project was RMB870,000. The maximum transaction amount under this contract will not exceed RMB9,000,000 for the years ending December 31, 2018.

4. Sinopec Shanghai #3-4 EPC project

Parties: Sinopec Shanghai and Beijing Boqi

Bid and contract scope: On August 14, 2017, Beijing Boqi won a bid for an EPC project in connection with the upgrade of the #3-4 boiler of a cogeneration power plant of Sinopect Shanghai for the purpose of meeting the “ultra-low emission” standards (“#3-4 Upgrade Project”)

CONNECTED TRANSACTIONS

On September 7, 2017, Beijing Boqi entered into an EPC contract with Sinopec Shanghai finalizing the winning bid whereby Beijing Boqi will act as the main contractor, involves project design, procurement of equipment and materials, project construction and installation.

Price: The contract price is RMB91,123,500.00 (including tax) comprised of construction fee, installation fee, design fee, fee for procurement of equipment and raw materials.

Term: The construction of the #3-4 Upgrade Project is expected to complete on March 31, 2018.

Reasons for and benefits of the transaction: This transaction will enhance the desulfurization, denitrification and dust removal business operations of the Group and expand the business opportunities with Sinopec and its group of companies for provision of flue gas treatment business to market players of petro-chemical industry.

Historical transaction value

	Nine months ended September 30, 2017
	RMB
Sinopec Shanghai #3-4 EPC project	Nil

Revenue of the Sinopec Shanghai #3-4 EPC project and estimated annual caps.

Pursuant to the contract for the Sinopec Shanghai #3-4 EPC project, construction of the #3-4 Upgrade Project commenced on September 18, 2017 and no revenue is expected to be received for the year ended December 31, 2017. The #3-4 Upgrade Project is expected to complete by the end of 2018 and accordingly, the transaction amount under this contract will not exceed RMB100,000,000 for the year ending December 31, 2018.

Aggregation of transaction value and annual caps

Given the above continuing connected transactions were all made with the group companies of China Petroleum & Chemical Corporation, the parent company of Sinopec, pursuant to which income shall be received by the Group in relation to the design and EPC services provided, such transactions shall be aggregated in accordance with Rule 14A.81 of the Listing Rules.

During the Track Record Period, the historical value of the above transactions in aggregate are approximately as follows:

	Year ended December 31,			Nine months ended September 30,
2014	2015	2016	2017	
RMB	RMB	RMB	RMB	
Nil	Nil	Nil	64,149,000	

CONNECTED TRANSACTIONS

The expected transaction amount for the above continuing connected transactions, in aggregate, will not exceed RMB184,000,000 for the year ending December 31, 2018.

In determining the above annual cap, our Directors have considered the following factors:

- (a) the expected increase in costs while carrying out the works under the continuing connected transactions, which involves, among others, materials, electricity, water, insurance, etc.;
- (b) the unpredictable costs incurred due to the request for additional work or unexpected changes of construction plan as may be required by Sinopec in the course of the contract works which will be reimbursed on settlement through negotiations between the parties;
- (c) the revenue generated from the works under the continuing connected transactions is recognized in stages according to the progress of completion of the contract works; and
- (d) the expected inflation in the PRC.

Technology Licensing Contract

As part of the Upgrade Project, Beijing Boqi and Fushun Research Institute entered into a technology licensing contract (“**Technology Licensing Contract**”) in September 14, 2017 pursuant to which Beijing Boqi was licensed to use certain patents and know-how of Fushun Research Institute for the purpose of carrying out of the Upgrade Project.

Parties:	Beijing Boqi and Fushun Research Institute
Term:	5 years from the signing date of the Technology Licensing Contract
Contract scope:	Beijing Boqi was licensed to use the patents and know-how of Fushun Research Institute for the carrying out of the Upgrade Project to achieve “ultra-low emission” standards. The patents and know-how relate to the denitrification catalyst and SCR technology. Beijing Boqi was licensed to use the patent and know-how from the signing date of the Technology Licensing Contract until December 2018, and shall use the patent and know-how within 365 days from the signing date of the Technology Licensing Contract. During the term of the Technology Licensing Contract, Beijing Boqi may make subsequent development in respect of the patent and know-how which it is licensed to use. The parties will enter into separate agreements in respect of the distribution of interests if any interests arised in relation to the development of patent and know-how.
Licensing fee:	Beijing Boqi shall pay RMB2,150,000 to Fushun Research Institute for its license to use the patents and know-how.
Payment:	The licensing fee shall be paid within 30 days after the signing of the Technology Licensing Contract.
Confidentiality:	Beijing Boqi is under the obligation of confidentiality in respect of the use of patents and know-how of Fushun Research Institute. Such obligation continues to survive 5 years after the termination of the Technology Licensing Contract and covers a broad range of areas in relation to the patents and know-how of Fushun Research Institute such as technology planning, technology design, special tools etc.

CONNECTED TRANSACTIONS

According to the Technology Licensing Contract, Beijing Boqi expects to make payment of the licensing fee to Fushun Research Institute in the amount of RMB2,150,000 in accordance with the Technology Licensing Contract. The payment of the licensing fee in the amount of RMB2,150,000 under the Technology Licensing Contract was settled on October 11, 2017.

Shouyang Contract

- Parties:** Beijing Boqi and Shouyang Power
- Date:** Beijing Boqi entered into an EPC master contract with Shouyang Power in December 2015 (the “**Shouyang Contract**”) upon the successful bidding of a tender.
- Project:** Shanxi Yangquan Coal Industry (Group) Company Limited Shouyang Mingtai Green Island General Contractor Project, with the capacity of 2*350 MW (the “**Shouyang Green Island Project**”).
- Under the Shouyang Green Island Project, Beijing Boqi will act as the main contractor, which involves, among others, project design, procurement of equipment and materials, construction and installment in relation to desulfurization and denitrification and dust removal for low calorific value thermal power plant.
- Project Price:** The Shouyang Contract had a contract value of RMB287,560,000 (including tax).
- Payment method:** Shouyang Power shall pay 10% of the contract value as pre-payment to Beijing Boqi within one month from the date the Shouyang Contract takes effect, and the remaining amount of the contract value will be paid monthly according to the progress of the Shouyang Green Island Project. 5% of the contract value will be paid by Shouyang Power to Beijing Boqi as quality guarantee after one year period when no quality issue is raised.
- Reasons for and benefits of the transaction:** Carrying out environmental protection facility engineering projects is our usual course of business and entering into such transaction would enable us to consolidate our market presence in the Shanxi Province where Shouyang Power is situated.

Historical transaction value

	Year ended December 31,			Nine months ended September 30,
	2014	2015	2016	2017
	RMB	RMB	RMB	RMB
Shouyang Green Island Project	—	—	55,920,000	20,654,000

CONNECTED TRANSACTIONS

Revenue of the Shouyang Contract and estimated annual caps

For the year ended December 31, 2016 and nine months ended September 30, 2017, the revenue generated from the Shouyang EPC Project under the Shouyang Contract was RMB55,920,000 and RMB20,654,000. The maximum transaction amount under the Shouyang Contract, will not exceed RMB60,000,000 and RMB150,000,000 for the years ending December 31, 2018 and 2019, respectively. In determining such annual caps, our Directors have considered the following factors:

- (a) the expected increase in costs while carrying out the Shouyang Green Island Project, which involves, among others, costs and expenses on materials, electricity, water, insurance etc.;
- (b) the revenue generated from the Shouyang Green Island Project under the Shouyang Contract is recognized in stages according to the progress of completion of the contract works; and
- (c) the expected inflation in the PRC.

Due to the national policy on the restriction on the expansion of coal-fired power plants, the construction of Shouyang Green Island Project under the Shouyang Contract was suspended and therefore delayed. The construction of Shouyang Green Island Project under the Shouyang Contract expects to resume in 2018. For the risk associated with suspended or delayed projects, please refer to the paragraph headed “Certain of our projects have experienced suspensions or delays during the construction period” in the section headed “Risk Factors” in this prospectus.

Yangxi Project

Introduction

On May 20, 2016, Beijing Boqi entered into the Cooperation Framework Agreement with Guangdong Huaxia Electric and Yangxi Electric, pursuant to which Beijing Boqi agreed to acquire the Yangxi Facilities (comprising of #1 - #4 desulfurization and denitrification facilities, the construction of which had already been completed by Yangxi Electric) and the #5 - #6 desulfurization and denitrification facilities which to be built by Yangxi Electric (the “**#5 - #6 Facilities**”).

The Yangxi Facilities was mortgaged by Yangxi Electric for securing certain borrowings made by Yangxi Electric from a number of banks in the PRC. After signing the Cooperation Framework Agreement, Yangxi Electric started discussions with the relevant banks in respect of the release of the mortgage on the Yangxi Facilities. In the view of the time for the relevant banks to consider such release of the mortgage, on December 31, 2016, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into the Yangxi Management Service Agreement in relation to the provision of operation, daily maintenance and repair services in respect of the Yangxi Facilities prior to the completion of the acquisition of the Yangxi Facilities. On the same day, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into the Upgrade Project Cooperation Agreement, under which Beijing Boqi agreed to construct the Upgrade Units. On January 1, 2017, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric further entered into a supplemental agreement solely to determine the pricing terms of the Yangxi Management Service Agreement (the “**Yangxi Service Pricing Agreement**”).

Due to an unexpected delay in the release of the mortgage on the Yangxi Facilities, the completion of the proposed acquisitions of the Yangxi Facilities under the Cooperation Framework

CONNECTED TRANSACTIONS

Agreement was delayed, and it was agreed among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric not to proceed with the proposed acquisitions of the Yangxi Facilities. Accordingly, on August 28, 2017, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into a supplemental agreement (“**Yangxi Supplemental Agreement**”) under which, the proposed acquisitions of the Yangxi Facilities under the Cooperation Framework Agreement were terminated, whilst the proposed acquisition of the #5 - #6 Facilities shall continue. For further details, please refer to the paragraph headed “Proposed Connected Transaction” in this section. On the same day, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into the Yangxi Supplemental Management Service Agreement (together with Yangxi Management Service Agreement and Yangxi Service Pricing Agreement as “**Yangxi Agreements**”) to supersede and extend the term of the services under the Yangxi Management Service Agreement from January 1, 2017 to September 30, 2017 to a term from January 1, 2017 to December 31, 2025. Other provisions in relation to the services and ancillary services to be provided by Beijing Boqi under the Yangxi Management Service Agreement remain unchanged for the extended term.

Information on Guangdong Huaxia Electric and Yangxi Electric

Guangdong Huaxia Electric is a limited liability company established in the PRC mainly engaged in, among others, investment in electricity industry, and has invested in a number of power plants in the PRC, with Yangxi Electric as its current major operating subsidiary. For the year ended December 31, 2016, Guangdong Huaxia Electric recorded revenue of approximately RMB3.92 billion. Yangxi Electric operates the Guangdong Huaxia Yangxi Power Plant in Yangjiang City, Guangdong Province of the PRC. Guangdong Huaxia Yangxi Power Plant started operating its #1-#2 power generating units with installed capacity of 2*600 MW in 2009 and its #3-#4 power generating units with installed capacity of 2*660 MW in 2013. As at the Latest Practicable Date, Guangdong Huaxia Yangxi Power Plant owned four power generating units with four respective desulfurization and denitrification facilities, namely the Yangxi Facilities, attaching to each of the four power generating units and two power generating units with two respective desulfurization and denitrification facilities, namely the #5 - #6 Facilities, to be constructed. For the year ended December 31, 2016, Yangxi Electric recorded revenue of approximately RMB3.9 billion. For the year of 2017, the total expected electricity generation capacity of Guangdong Huaxia Yangxi Power Plant is 10.8 billion kwh.

CONNECTED TRANSACTIONS

Historical operational statistics of Guangdong Huaxia Yangxi Power Plant

The following table sets out the historical operational statistics of Guangdong Huaxia Yangxi Power Plant for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017:

	Year ended December 31,			Nine months ended September 30,
	2014	2015	2016	2017
Electricity generated (million kwh)				
#1 power generating unit	2,563	2,240	2,362	1,488
#2 power generating unit	3,099	2,467	2,780	1,927
#3 power generating unit	2,801	2,742	2,838	2,248
#4 power generating unit	3,053	3,037	2,724	2,468
On-grid power generated (million kwh)				
#1 power generating unit	2,414	2,101	2,225	1,403
#2 power generating unit	2,933	2,328	2,639	1,825
#3 power generating unit	2,653	2,606	2,697	2,131
#4 power generating unit	2,901	2,895	2,597	2,349
Utilization hours (hours)⁽¹⁾				
#1 power generating unit	4,272	3,734	3,937	2,479
#2 power generating unit	5,165	4,112	4,633	3,212
#3 power generating unit	4,244	4,154	4,299	3,405
#4 power generating unit	4,625	4,602	4,128	3,739
Utilization rate⁽²⁾				
#1 power generating unit	64%	64%	63%	64%
#2 power generating unit	64%	64%	65%	64%
#3 power generating unit	60%	63%	62%	59%
#4 power generating unit	60%	64%	64%	62%

Notes:

- (1) the utilization hours are calculated by the electricity generated divided by the installed capacity of each of the power generating units.
- (2) the utilization rate of each of the power generating units are calculated by the actual electricity generated by each of the power generating units divided by the total planned electricity generated by such power generating unit.

Information on the Yangxi Facilities

The Yangxi Facilities were constructed in specifications in terms of installed capacity (2*600MW and 2*660MW) for catering for the needs of power plants of Yangxi Electric. The construction of Yangxi Facilities has been completed and according to the acceptance letters of completion for environmental protection* (竣工環境保護驗收意見函) issued by The Ministry of Environmental Protection of the PRC dated June 7, 2010(#1), October 8, 2010(#2) and July 10, 2014(#3 and #4), respectively, the Yangxi Facilities have met the relevant regulatory requirements. The Yangxi Facilities cannot be moved or used with other power plants and are parts of the electricity generation facilities of the power plants of Yangxi Electric and their usable life cycle normally coincide with that of the other facilities. Therefore, there are technical impediment for the Yangxi Facilities to be used for other power plants. Since the proposed acquisitions of the Yangxi Facilities under the Cooperation Framework Agreement have been terminated, it is the responsibility of Yangxi Electric to remedy any technical and legal impediment of the Yangxi Facilities and to ensure its compliance with the relevant regulatory standards. Any existing pledge, liens or encumbrances in respect of the Yangxi Facilities will not affect the Company's provision of O&M services under the Yangxi Agreements.

CONNECTED TRANSACTIONS

Provision of O&M services

Major terms of the Yangxi Agreements

As disclosed above, under the Yangxi Agreements, Beijing Boqi provides operation, daily maintenance and repair services in respect of the Yangxi Facilities to Yangxi Electric for a term of 8 years from January 1, 2017 to December 31, 2025. Set forth below are the major terms of the Yangxi Agreements.

Parties:	Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric
Term of the agreement:	January 1, 2017 to December 31, 2025.
Services to be provided:	The services to be provided by Beijing Boqi include the operation, daily maintenance and repair of the Yangxi Facilities. Beijing Boqi is also responsible for the materials used in the services provided as well as treatment of waste created during the provision of such services.
Service fee policy:	<p>The service fee under the Yangxi Agreements is calculated based on the on-grid power generation multiply by a rate which is determined with reference to (i) the relevant subsidies with respect to desulfurization and denitrification as set by the government; and (ii) the fees and expenses in respect of the operation, management and maintenance of the desulfurization and denitrification facilities.</p> <p>Such rate was arrived at after arm's length negotiations among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric.</p> <p>The relevant service fee for Beijing Boqi's provision of the O&M services to Yangxi Electric has already been agreed by the parties under the Yangxi Agreements and which does not include any relevant subsidies. The relevant subsidies were only taken into account as reference. Therefore, any risk of Yangxi Electric not receiving the relevant subsidies from the power grid will not affect our receipt of service fee.</p>
Payment obligation:	Yangxi Electric shall pay to Beijing Boqi the service fee within 15 days of Yangxi Electric receiving the electricity fee from the State Power Grid.
Performance guarantee:	Beijing Boqi shall pay to Yangxi Electric a performance guarantee ⁽¹⁾ in an amount of RMB139,690,000 for guaranteeing its work and performance under the Yangxi Agreements and safe operation of the Yangxi Facilities.

⁽¹⁾ The performance guarantee has been recorded as amounts due from related parties—non-trade nature on the Group's consolidated financial statements. See Noted 39 "Related Party Transactions and Balances" in the Accountants' Report set forth in Appendix I to this prospectus.

CONNECTED TRANSACTIONS

The above performance guarantee is arrived at arm's length negotiations between Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric and determined based on the estimated service fee to be received (i.e. the estimated on-grid power generation multiplied by a rate (10%) which is determined by the parties) multiplied by the term of the Yangxi Agreements (i.e. 8 years). Such performance guarantee has been paid to Yangxi Electric and shall be refunded to Beijing Boqi upon completion of the term of the Yangxi Agreements.

Ancillary charges:

Beijing Boqi shall pay to Yangxi Electric before the 10th day of each month the ancillary charges, including relevant operation fees such as water, electricity, vapor, gas, environmental protection penalty and pollution tax fees and other relevant operational charges.

Reasons for and benefits of the provision of O&M services under the Yangxi Agreements

Since the issue of the *Action Plan of Energy Saving, Emission Reduction, Upgrading and Retrofitting of Coal-fired Power Plants (2014-2020)* which tightened the emission limits for newly-built coal-fired power plants in September 2014 and *the Proposals for Comprehensively Implementing the Ultra-low Emissions and Energy Conservation Upgrade of Coal-fired Power Plants* in December 2015, which requires the comprehensive implementation of “ultra-low emission” and energy conservation upgrade on coal-fired generator sets by 2020, coal consumption and pollution emission standards have been significantly tightened. To comply with such stringent standards, and minimize operational risk while also minimizing the costs to be incurred, Yangxi Electric engaged Beijing Boqi, being a leading independent and recognized flue gas treatment integrated service provider to be the sole desulfurization and denitrification service provider for its power plant. Further, it is in the benefit of Yangxi Electric to retain only one desulfurization and denitrification service provider for the Yangxi Facilities for the purpose of minimizing costs and eliminating the need to manage a number of different service providers with different points of contact and who may use different quality management systems.

Provision of O&M services is our usual course of business. Beijing Boqi has earned numerous highly-recognized awards in the flue gas treatment industry, and having been already familiarized with the operations and facilities of Yangxi Electric, including the Yangxi Facilities as a result of the potential acquisition under the Cooperation Framework Agreement. By entering into the Yangxi Agreements and the transactions thereunder, Beijing Boqi will leverage its relevant professional experience and strengths in the operation, maintenance and management of the desulfurization and denitrification facilities, export its management experience and gain reasonable income and returns. The execution of the Yangxi Agreements is in line with the Group's overall strategy and business focus of engaging in the operation, management and maintenance of the desulfurization and denitrification facilities and will enhance our market presence in Guangdong province. The enhancement of the Group's competitive edge in its core business is in the interests of the Group as a whole. For the nine months ended September 30, 2017, service fee recognized under the Yangxi Agreements was RMB141,174,000, which represents 17.7% of our total revenue for the same period.

CONNECTED TRANSACTIONS

“Ultra-low emission” upgrade works

Upgrade Units

The Yangxi Facilities need to be upgraded by the construction of “ultra-low emission” units to ensure operation of such facilities are compliant with the latest state and municipal laws, regulations and approval requirements. On December 31, 2016, Beijing Boqi and Yangxi Electric entered into the Upgrade Project Cooperation Agreement, pursuant to which Beijing Boqi agreed to construct the Upgrade Units for Yangxi Electric.

Major terms of the Upgrade Project Cooperation Agreement

Parties: Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric

Services to be provided: The ultra-low emission upgrade works conducted by Beijing Boqi include, among others, the upgrade of the desulfurization system, detection and repair of the absorption tower of the #1-#2 facilities and the upgrade of model of the continuous emission monitoring system for the purpose of enabling Guangdong Huaxia Yangxi Power Plant to comply with the new “ultra-low emission” standards.

Construction fees: RMB23,200,000 which consists of the design fee, the equipment fee and the construction and installation fee, and such fees will be borne by Beijing Boqi.

Despite the contractual amount of construction fees of RMB23,200,000 which represented the estimated construction costs at the time of entering into the contract, the costs of construction for the Upgrade Units totaled approximately RMB36,310,000.

Compensation obligations: Beijing Boqi will pay to Yangxi Electric certain compensations if (a) Beijing Boqi has caused delay in completing the “ultra-low emission” upgrade works under the Upgrade Project Cooperation Agreement; (b) Beijing Boqi is solely responsible for the non-compliance of the #1-#2 facilities with the ultra-low emission standards; and/or (c) Beijing Boqi has solely caused the halt or load decrement of #1-#2 facilities.

According to the construction completion certificate* (通煙簽證) in respect of the Upgrade Units dated May 16, 2017 and October 29, 2017, respectively, the Upgrade Units satisfied all requirements specified in the Upgrade Project Cooperation Agreement. Accordingly, there was no delay in completion of the Upgrade Units and no compensation was required to be made by Beijing Boqi under item (a) above. In addition, since the completion of the Upgrade Units and up to the Latest Practical Date, the Company confirms that Beijing Boqi was not required to make any compensation to Yangxi Electric pursuant to items (b) and (c) above under the Upgrade Project Cooperation Agreement.

CONNECTED TRANSACTIONS

Completion and acceptance of the Upgrade Units

The environmental protection acceptance procedures of the Upgrade Units were completed in July 2017 (#1) and December 2017 (#2), respectively, which confirmed that the Upgrade Units complied with the relevant “Ultra-low emission” standards and Yangxi Electric shall be entitled to received the relevant subsidy accordingly.

Reasons for and benefits of the transactions under the Upgrade Project Cooperation Agreement:

1. Compliance with the relevant requirements

According to the Notice on Issuing the Plan for Nationwide Implementation of Ultra-low Emissions and Energy Saving Reform on Coal-fired Power Plant (《關於印發〈全面實施燃煤電廠超低排放和節能改造工作方案〉的通知》) (the “**Notice**”), the coal-fired power plants in 11 provinces in the PRC, including the Guangdong province where Guangdong Huaxia Yangxi Power Plant is situated, are required to complete the “ultra-low emission” upgrade works for the coal-fired power generating units before the end of 2017 to comply with the newly implemented “ultra-low emission” standards. If not, the relevant power plant may be required by the government authority to cease operation on those power generating units. In addition, the PRC government will give those coal-fired power plants, which satisfy ultra-low emissions standards, electricity price subsidies and generating rewards to encourage ultra-low emissions and energy saving reform in power plants. Upon the completion of the “ultra-low emission” upgrade works for the power generating units of Yangxi Electric, such power generating units are able to operate in a compliant manner in terms of dust, SO₂ and NO_x emission volume. For details on the Notice, please refer to the disclosure in the paragraph headed “Regulatory Overview—SO₂, NO_x and Dust Emissions Reduction” in this prospectus.

2. Receipt of the relevant “ultra-low emission” subsidy

As disclosed above, it was originally intended that Beijing Boqi to acquire the Yangxi Facilities under the Cooperation Framework Agreement, and hence it was commercially sensible for Beijing Boqi to be responsible for the construction and bear the construction costs of the Upgrade Units. Upon completion of the construction, the Upgrade Units will be owned by our Group, as such, the payment of construction costs for the Upgrade Units do not constitute any form of financing by our Group to Yangxi Electric. It is also in the benefit of the Group that Beijing Boqi is accordingly entitled to share certain portion of the “ultra-low emission” subsidy generated by the Upgrade Units, which is calculated based on the “ultra-low emission” electricity price subsidy multiplied by a rate which is determined with reference to the costs of constructing the “ultra-low emission” units and the costs of operating and managing such “ultra-low emission” units in respect of desulfurization and denitrification facilities.

3. Recovery of construction costs

The costs of construction for the Upgrade Units totaled approximately RMB36,310,000. Such costs of construction of the Upgrade Units will be recovered by the “ultra-low emission” subsidy expected to be received from Yangxi Electric under the Yangxi Agreements.

According to our PRC legal advisers, based on the Notice and the Notice on the Implementation of Support Policies for Ultra-low Emission Tariffs on Coal-fired Power Plant (《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》), Yangxi Electric is entitled to receive the “ultra-

CONNECTED TRANSACTIONS

low emission” subsidy upon the completion of environmental protection acceptance and upon compliance with the relevant “ultra-low emission” standards.

In this regard, Yangxi Electric expects to receive the subsidy from the power grid in respect of the Upgrade Units in 2018. Under the Yangxi Agreements, Yangxi Electric is contractually obligated to pay to Beijing Boqi the relevant “ultra-low emission” subsidy received by it. As such, our PRC legal advisers are of the view that there is no legal impediment to our Group to receive the relevant subsidies in respect of the Upgrade Units upon the receipt by Yangxi Electric of the “ultra-low emission” subsidy.

We expect that the recovery of our said construction costs will take less than two years. Should our Group lose the entitlement to the “ultra-low emission” subsidy in connection with the Upgrade Units, our Group shall bear a maximum loss of investment of approximately RMB36,310,000. For further details on the potential risk that may be borne by our Group, please refer to the disclosure in the paragraph headed “Risk Factors—We might lose part or all of our investment in the Upgrade Units under the Yangxi Agreements” in this prospectus.

4. Reliance by Yangxi Electric

Notwithstanding that the Upgrade Units shall belong to Beijing Boqi, the #1-#2 facilities continue to belong to Yangxi Electric as part of the Guangdong Huaxia Yangxi Power Plant as they were constructed by Yangxi Electric. Although the Upgrade Units are attached to the #1-#2 facilities, the Upgrade Units can be detached from the #1-#2 facilities at any time by Beijing Boqi at its discretion without impeding the technical operation of the #1-#2 facilities. The main equipment (such as slurry circulation pump, absorber tower mixer, defogger, thermal control panel and F-C switchboard) from the Upgrade Units can be sold to other power plants. However, should Beijing Boqi detach the Upgrade Units from #1-#2 facilities, Yangxi Electric will no longer be compliant with the relevant “ultra-low emission” standard requirements and be forced to cease operation of the #1-#2 facilities. Therefore, the Directors are of the view that it is unlikely that Yangxi Electric will breach the Yangxi Agreements or terminate our O&M services under the Yangxi Agreements. As such, Yangxi Electric is relying on the Upgrade Units of Beijing Boqi in order to meet the relevant national emission standards as required by the PRC government for the continuous operation of its power generating units. The Directors believe that such reliance from Yangxi Electric increased our bargaining power to continue to be the sole desulfurization and denitrification service provider for Yangxi Electric upon completion of the term of the Yangxi Agreements. In addition, Beijing Boqi has no obligation to transfer to Yangxi Electric the Upgrade Units upon completion of the term of the Yangxi Agreements. Should Yangxi Electric choose to purchase the Upgrade Units, it will need to undergo negotiations with our Group on the purchase price and it is uncertain whether Yangxi Electric will obtain any benefit through receipt of the relevant “ultra-low emission” subsidy after taking into account such purchase price. As such, it is in the commercial benefit of both Yangxi Electric and our Group, for our Group to be allowed to continue to own the Upgrade Units.

Ultra-low emission upgrade units for the #3-#4 facilities

Pursuant to the Yangxi Management Service Agreement, Beijing Boqi underwent negotiations with Yangxi Electric in respect of a potential arrangement to bear the costs and expenses for the construction of the “ultra-low emission” upgrade units to the #3-#4 facilities for the purpose of enjoying the “ultra-low emission” subsidy. However, through a number of discussions and

CONNECTED TRANSACTIONS

negotiations, Beijing Boqi and Yangxi Electric could not reach an agreement on the terms and calculation of the entitlement of the “ultra-low emission” subsidy and no such arrangement will be entered into between the two parties. Accordingly, Beijing Boqi will not be required to bear the costs of the “ultra-low emission” upgrade units to the #3-#4 facilities, and as a result, will not be entitled to the “ultra-low emission” subsidy generated by such units. On the other hand, Beijing Boqi’s provision of services to Yangxi Facilities (including the #3-#4 facilities) under the Yangxi Agreements and the fees to be received thereunder shall continue and remain unaffected.

Unlike the Upgrade Units, which were constructed by our Group due to the initial intended acquisition of the Yangxi Facilities under the Cooperation Framework Agreement, Yangxi Electric had invested in the construction of the “ultra-low emission” upgrade units to #3-4 desulfurization and denitrification facilities in which it will obtain its investment return through receipt of the “ultra-low emission” subsidy. The environmental protection acceptance procedures of the “ultra-low emission” upgrade units to #3-4 desulfurization and denitrification facilities were completed in December 2016.

Summary of the transactions

A summary of the services provided under the Yangxi Agreements and the Upgrade Project Cooperation Agreement are set out below:

	<u>#1-#2 facilities</u>	<u>#3-#4 facilities</u>
“Ultra-low emission” units	We are responsible for the design, procurement, and construction of the “ultra-low emission” units. We also own the “ultra-low emission” units.	Yangxi Electric was responsible for and had already completed the design, procurement and construction of the “ultra-low emission” units. Accordingly, Yangxi Electric owns the “ultra-low emission” units.
Services provided	We provide O&M services to the facilities.	We provide O&M services to the facilities.
Service fees	<p>We are entitled to the service fees in accordance with the Yangxi Agreements, being the on-grid electricity generation multiplied by a rate agreed between the parties.</p> <p>As we own the “ultra-low emission” units, we are also entitled to part of the “ultra-low emission” subsidies granted by the PRC government.</p>	We are only entitled to the service fees in accordance with the Yangxi Agreements, being the on-grid electricity generation multiplied by a rate agreed between the parties.

Historical transaction value

For the nine months ended September 30, 2017, the electricity generated was 8.130 billion kWh. For the nine months ended September 30, 2017, service fee recognized for provision of services under the Yangxi Agreements was RMB141,174,000.

For the nine months ended September 30, 2017, the ancillary charges paid by Beijing Boqi to Yangxi Electric under the Yangxi Agreements were RMB54,021,000 which comprised of water and electricity, labor, spare parts and other miscellaneous items charged by Yangxi Electric.

CONNECTED TRANSACTIONS

Estimated Annual Caps

Based on the terms of the Yangxi Agreements, our Company estimates that the maximum transaction amount to be received under the Yangxi Agreements for the three years ending December 31, 2018, 2019 and 2020 will not exceed RMB245,000,000, RMB245,000,000 and RMB245,000,000, respectively. In determining such annual caps, our Directors have considered the following factors:

- (a) the terms of other existing management service agreements in relation to the provision of services to power plants for the operation, maintenance and management of desulfurization and denitrification facilities entered into by our Group;
- (b) potential costs increase and inflation;
- (c) the historical volume of electricity generated, the historical volume of electricity sold to power grid, electricity price and electricity subsidies granted to desulfurization and denitrification facilities received by Yangxi Electric;
- (d) the expected volume of electricity to be generated and sold to power grid, electricity price and electricity subsidies to be granted to the power plant in respect of its desulfurization and denitrification operations; and
- (e) the expected receipt of part of the “ultra-low emission” subsidies granted by the PRC government in respect of the Upgrade Units.

Our Company estimates that the maximum amounts to be paid to Yangxi Electric as ancillary charges under the Yangxi Agreements for the three years ending December 31, 2018, 2019 and 2020 will not exceed RMB85,050,000, RMB85,050,000 and RMB85,050,000, respectively. In determining such annual caps, our Directors have considered the following factors:

- (a) the historical amounts paid as ancillary charges under similar management service agreements in relation to the provision of services to power plants for the operation, maintenance and management of desulfurization and denitrification facilities by Beijing Boqi;
- (b) the historical volume of water, electricity, vapor, gas and the amount of environmental protection penalty, operation appraisal fee and pollution tax fees and other relevant operational charges incurred in relation to the carrying out of operation, maintenance and management of desulfurization and denitrification facilities by Beijing Boqi under other similar management service agreements;
- (c) the expected volume of water, electricity, vapor, gas and the amount of environmental protection penalty, operation appraisal fee and pollution tax fees and other relevant operational charges to be incurred in relation to the carrying out of operation, maintenance and management of desulfurization and denitrification facilities under the Yangxi Agreements; and
- (d) the inflation in the PRC.

CONNECTED TRANSACTIONS

Internal Control Measures

We have implemented the following internal control procedures to closely monitor and manage on-going continuing connected transactions:

- Our Board has approved the estimated annual caps of the above continuing connected transactions.
- At the beginning of each calendar year, our finance and accounting department will issue and circulate the annual caps for the connected transactions of the Company for that particular year and remind each member and department of our Group to follow the internal control procedures for the control of connected transactions.
- The board office (董事會工作室) is responsible for maintaining and updating the list of connected persons of our Group. Such list will be circulated to members and relevant departments of our Group on a regular basis.
- Business contracts of our Group are negotiated by our sales and marketing department, which are subject to review and approval by the management before execution. Before submitting any new business contract, our sales and marketing department is required to check the identity of each party to such contract against the latest list of connected persons of our Group. If any party is identified as a connected person, the management is to be informed immediately and to seek further instruction. If management decides to proceed with the contract, they would be required to seek shareholders' approval for revision of the annual caps in accordance with the requirements under the Listing Rules, where necessary.
- The finance and accounting department will set up a recording system for connected transactions, where it records and updates at the beginning of each month (i) the amount of connected transactions occurred in the previous month; (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 is near or has exceeded the annual cap of the year the finance and accounting department will notify the management immediately and will closely monitor and control the approval of new business contracts of the sales and marketing department and provide rectification measures, where necessary.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

With regard to non-exempt continuing connected transactions, the Company shall comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, where applicable. As these connected transactions are expected to continue on a recurring basis after the completion of the Global Offering, our Directors consider that it would be unduly burdensome, impracticable to the Company and significant and disproportionate administrative costs would incur therefor, to make disclosure of, or to obtain independent shareholders' approval (where applicable) for, each such transactions in compliance with the announcement and/or independent shareholders' approval (where applicable) requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Waivers from the Stock Exchange

In relation to the continuing connected transactions with Sinopec, as aggregated, the Shouyang Contract and the Yangxi Agreements for each of the financial years ending December 31, 2018, 2019 and 2020, the highest applicable percentage ratio is expected to be more than 5%. Accordingly, the transactions with Sinopec, the Shouyang Contract and the Yangxi Agreements are subject to the announcement requirements under Rule 14A.35 of the Listing Rules, the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

In relation to the Technology Licensing Contract and the Yangxi Agreements, the term of such continuing connected transactions exceed three years. Accordingly, our Company has also applied for, and expect the Stock Exchange to grant, a waiver from strict compliance with the three year term requirement for continuing connected transactions under Rule 14A.52 of the Listing Rules.

We have applied to the Stock Exchange, and expect the Stock Exchange to grant, a waiver from strict compliance with the announcement and independent Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules in respect of the transactions with Sinopec, the Shouyang Contract and the Yangxi Agreements, provided that the total value of transactions under the non-exempt continuing connected transactions for each of the three financial years ending December 31, 2018, 2019 and 2020 will not exceed the relevant annual caps set forth above. Our independent non-executive Directors and auditors of our Company will review whether the non-exempt continuing connected Transactions have been entered into based on the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmations of our independent non-executive Directors and our auditors will be disclosed annually, as required by the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

For details of the waiver application for non-exempt continuing connected transactions, please refer to section headed "Waivers from Compliance with the Listing Rules" to this prospectus.

DIRECTORS' VIEW

Our Directors (including the independent non-executive Directors) are of the view that (a) it is in the interest of our Group to continue the above continuing connected transactions; (b) such transactions were entered into in the ordinary and usual course of business of our Group; (c) the terms of the above continuing connected transactions are on normal commercial terms and are fair and reasonable and in the interests of our Group and Shareholders as a whole; and (d) the estimated annual caps for such transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole.

In relation to the Technology Licensing Contract, our Directors (including the independent non-executive Directors) are of the view that it is justifiable and normal business practice for such agreement to be of a term exceeding three years. Given that the patents licensed under the Technology Licensing Contract are to be further developed by the Group, it is not practical or commercial sensible for our Group to enter into a technology licensing contract for a term shorter than three years as our

CONNECTED TRANSACTIONS

Group will require sufficient time and costs to conduct such research and development and avoid necessary risks of losing such opportunity to develop the relevant patents. The research and development of such patents will facilitate our Group's future business with Sinopec and are crucial to our Group's business in achieving "ultra-low emission" standards in relation to denitrification catalyst and SCR technology and thus it is in the benefit of the Group to have the Technology Licensing Contract for a duration longer than three years.

In relation to the Yangxi Agreements, based on our Group's other comparable transactions and the following reasons, our Directors (including the independent non-executive Directors) are of the view that it is justifiable and on normal business practice for the Yangxi Agreements to be of a term exceeding three years. As the general maintenance cycle for the Yangxi Facilities is every four years to five, it is necessary for the term of such operation and maintenance agreements to be exceeding three years as it will not be in the benefit of either party to enter into a term that is shorter than the general maintenance cycle. Further, given that the transactions contemplated under the Yangxi Agreements are part of our operation and maintenance business, and our operation and maintenance business generates a relatively higher profit margin for the Group, it is in the benefit of the Group to secure our O&M contracts for as long as possible. It is also in the commercial benefit of power plants to enter into longer operation and management agreements due to the technical requirements and emission standards imposed by the PRC government to ensure compliance and certainty in their operations and minimizing their operational risk.

SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that: (a) the aforementioned non-exempt continuing connected transactions were entered into in the ordinary and usual course of business of our Group, on normal commercial terms, and are fair, reasonable and are in the interests of the Group and its Shareholders as a whole; and (b) the estimated annual caps (where applicable) for such transactions are fair, reasonable and are in the interests of the Group and its Shareholders as a whole. The Sole Sponsor concurs with the Directors' view that the duration of the Technology Licensing Contract and the Yangxi Agreements is normal business practice to be a term exceeding three years.

PROPOSED CONNECTED TRANSACTION

Yangxi Supplemental Agreement

Due to an unexpected delay in the release of a mortgage on the Yangxi Facilities, the completion of the proposed acquisitions of the Yangxi Facilities under the Cooperation Framework Agreement was delayed, and it was agreed between Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric not to proceed with the proposed acquisitions of the Yangxi Facilities. Accordingly, on August 28, 2017, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into the Yangxi Supplemental Agreement under which, the proposed acquisitions of the Yangxi Facilities under the Cooperation Framework Agreement were terminated. Under the Yangxi Supplemental Agreement and the Cooperation Framework Agreement, the proposed acquisition of the #5 - #6 Facilities shall continue and Yangxi Electric shall establish the SPV for the purpose of allocating and assigning the #5 - #6 Facilities to the SPV. The #5 - #6 Facilities are constructed to be attached to the two power generating units with an installed capacity of 2* 1,240 MW. By acquiring and operating the #5 - #6 Facilities which have greater installed capacity (i.e. installed capacity of more than 1,000MW), we will expand the scale of our concession operation business and expand our business model to include TOO model and earn the relevant service fees. In addition, since the #5 - #6 Facilities are

CONNECTED TRANSACTIONS

constructed with the “ultra-low emission” units, we expect to enjoy the relevant “ultra-low emission” subsidy.

As detailed in the paragraph headed “Regulatory Overview—SO₂, NO_x and Dust Emissions Reduction” in this prospectus, according to *the Notice on Issuing Plan for Promotion of Energy Conservation and Emission Reduction and Reform Action in Coal-fired Power Field (2014-2020)* (《關於印發<煤電節能減排升級與改造行動計劃(2014-2020年)>通知》), newly-built coal-fired power generating units should be constructed simultaneously with the efficient desulfurization and denitrification facilities which are also required to comply with the “ultra-low emission” standards. Therefore, for Guangdong Huaxia Yangxi Power Plant to comply with such notice in respect of the relevant coal-fired generating units, the #5 - #6 Facilities including the “ultra-low emission” units are required to be constructed.

At the time of entering the Yangxi Supplemental Agreement, #5 - #6 Facilities have not been constructed and was not pledged as part of the Yangxi Facilities. Upon completion of the construction of the #5 - #6 Facilities by Yangxi Electric, who will bear all construction costs, through investment in the SPV, the allocation and assignment of the #5 - #6 Facilities to the SPV, Beijing Boqi shall acquire the SPV from Yangxi Electric. No operation or maintenance services will be provided by Beijing Boqi prior to the acquisition. The consideration for the acquisition of #5 - #6 Facilities is to be determined in respect of (i) the net asset value of the relevant SPV at the time of the acquisition, being the aggregate of the initial share capital investment into the SPV by Yangxi Electric and the net asset value of the #5 - #6 Facilities, which were estimated to be RMB498,000,000 based on the estimated budget of the construction costs, which are estimated to be RMB498,000,000 based on the costs to be incurred in order to comply with the environmental protection standards and national emission standards as required by the PRC government on desulfurization and denitrification facilities and (ii) the difference in the construction costs of the #5 -#6 Facilities and RMB498,000,000. Under exceptional circumstances, the parties may adjust the consideration through further negotiations. We intend to acquire the SPV using our internal funds and existing working capital and have no intention to apply any proceeds from the Global Offering for the acquisition of the SPV. Such acquisition shall constitute a connected transaction under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, the construction of the #5 -#6 Facilities is currently under construction. Due to the national policy on the restriction on the expansion of coal-fired power plants, the construction of #5-#6 Facilities was suspended. For the risk associated with suspended or delayed projects, please refer to the paragraph headed “Certain of our projects have experienced suspensions or delays during the construction period” in the section headed “Risk Factors” in this prospectus. It is uncertain whether the construction of #5-#6 Facilities will resume and hence, our Group is unable to ascertain when the construction will complete. Should the construction of #5-#6 Facilities complete, we intend to operate and maintain the #5-#6 Facilities after the acquisition for ensuring the #5-#6 power generating units are in compliance with the relevant emission standards.

Directors’ Undertaking

Our Directors (including the independent non-executive Directors) undertake that the proposed connected transactions to be entered into pursuant to the Cooperation Framework Agreement and the Yangxi Supplemental Agreement shall be entered into on normal commercial terms and are fair and reasonable and in the interests of our Group and its Shareholders as a whole, and to make all disclosure and/or seek any approval (if applicable) as required under Chapter 14A of the Listing Rules.