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If you have sold or transferred all your shares in **China Boqi Environmental (Holding) Co., Ltd.**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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China Boqi Environmental (Holding) Co., Ltd.

中國博奇環保(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

- (I) CONTINUING CONNECTED TRANSACTION IN RELATION TO
NO. 7-8 YANGXI FACILITIES EPC CONTRACT;**
- (II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO**
(A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE;
(B) NO. 3-4 YANGXI FACILITIES O&M OPERATION;
- (C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT;**
AND
- (D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND
DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT;**
AND
- (III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 8 to 57 of this circular.

A letter from the Independent Board Committee is set out on pages 58 to 59 of this circular.

A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges is set out on pages 60 to 104 of this circular.

A notice convening the EGM to be held at the conference room of the Company at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC on 17 September 2025 at 10:30 a.m. is set out on pages 111 to 112 of this circular.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.chinaboqi.com. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 10:30 a.m. on 15 September 2025 (Hong Kong time) (being not less than 48 hours before the time of the EGM) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

28 August 2025

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“2020 Supplemental Agreement”	the agreement entered into among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 30 November 2020, pursuant to which the parties agreed to amend and supplement certain terms in relation to the pricing terms for the provision of O&M services and the ancillary charges in accordance with the market-based pricing mechanism, further details of which are set out in the Company’s announcement dated 30 November 2020 and circular dated 8 December 2020
“2023 Supplemental Agreement”	the agreement entered into among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 27 October 2023, pursuant to which the parties agreed to amend and supplement certain terms contemplated under the Yangxi Agreements
“Acquisition”	the acquisition of No. 1-2 Yangxi Facilities (except for land) by Beijing Boqi from Yangxi Electric pursuant to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, which has been completed as of 5 February 2024
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Beijing Boqi”	Beijing Boqi Electric Power SCI-TECH Co., Ltd.* (北京博奇電力科技有限公司), a wholly-owned subsidiary of the Company
“Beijing Boqi Yangxi Branch”	Yangxi Branch of Beijing Boqi Electric Power SCI-TECH Co., Ltd.* (北京博奇電力科技有限公司陽西分公司), a branch of Beijing Boqi
“Board”	the board of Directors
“CCTs”	No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance

DEFINITIONS

“Company”	China Boqi Environmental (Holding) Co., Ltd. (中國博奇環保(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company at the conference room of the Company at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC on 17 September 2025 at 10:30 a.m. or any adjournment thereof, the notice of which is set out on pages 111 to 112 of this circular, for the Independent Shareholders to consider and, if thought fit, approve (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges
“EPC”	project design, procurement of equipment and materials, project construction and equipment installment and testing services
“Existing Annual Caps for Ancillary Charges”	the existing annual caps for the ancillary charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; and (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2025
“Existing Annual Caps for Service Fees”	the existing annual caps for the service fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement for the three years ending 31 December 2025

DEFINITIONS

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to (i) the transactions (including the proposed annual caps) contemplated under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges
“Group”	the Company and its subsidiaries
“Guangdong Huaxia Electric”	Guangdong Huaxia Electric Development Co., Ltd.* (廣東華廈電力發展有限公司), a limited liability company established in the PRC on 11 November 2003, a company ultimately owned and controlled by the brother of Mr. Zhu
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan, which has been formed to advise the Independent Shareholders in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges
“Independent Shareholders”	Shareholders other than Mr. Zhu and his associates and those who have a material interest in the transactions under No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement or are otherwise required to abstain from voting on the resolutions at the EGM
“kWh”	kilowatt hours

DEFINITIONS

“Latest Practicable Date”	21 August 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Main Board”	the Main Board of the Stock Exchange
“Mr. Zhu”	朱偉航 (ZHU Weihang), a non-executive Director and substantial Shareholder
“No. 1-2 Yangxi Facilities”	No. 1-2 desulfurization and denitrification facilities owned by Beijing Boqi upon the completion of the Acquisition
“No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement”	the agreement entered into among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 27 October 2023 in relation to, among others, the Acquisition and No. 1-2 Yangxi Facilities Operation Service
“No. 1-2 Yangxi Facilities Operation Service”	the operation service in relation to desulfurization and denitrification by utilising No. 1-2 Yangxi Facilities in accordance with No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement upon completion of the Acquisition
“No. 1-4 Yangxi Facilities”	No. 1-2 Yangxi Facilities and No. 3-4 Yangxi Facilities
“No. 1-6 Yangxi Facilities”	No. 1-4 supercritical coal-fired facilities and No. 5-6 ultrasupercritical coal-fired facilities owned by Yangxi Electric
“No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance”	maintenance of coal conveying system and dock system of No. 1-6 Yangxi Facilities in accordance with No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement
“No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement”	the agreement entered into between Yangxi Electric and Beijing Boqi Yangxi Branch on 29 December 2023 in relation to, among others, maintenance services for coal conveying system and dock system of No. 1-6 Yangxi Facilities

DEFINITIONS

“No. 3-4 Yangxi Facilities”	No. 3-4 desulfurization and denitrification facilities owned by Yangxi Electric
“No. 3-4 Yangxi Facilities O&M Operation”	the O&M operation of No. 3-4 Yangxi Facilities in accordance with the Yangxi Agreements as further amended and supplemented by the 2023 Supplemental Agreement
“No. 5-6 Yangxi Facilities”	No. 5-6 desulfurization, denitrification and zero discharge of wastewater facilities owned by Yangxi Electric
“No. 5-6 Yangxi Facilities Maintenance Service”	maintenance service in accordance with No. 5-6 Yangxi Facilities Maintenance Service Agreement
“No. 5-6 Yangxi Facilities Maintenance Service Agreement”	the maintenance service agreement dated 25 January 2022 entered into between Beijing Boqi and Yangxi Electric in relation to the maintenance service in respect of No. 5-6 Yangxi Facilities to be provided by Beijing Boqi, and as supplemented by No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement
“No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement”	the supplemental agreement dated 29 December 2023 entered into between Beijing Boqi and Yangxi Electric to supplement No. 5-6 Yangxi Facilities Maintenance Service Agreement
“No. 7 Yangxi Facilities”	No. 7 desulfurization facilities to be owned by Yangxi Electric upon the completion of No. 7-8 Yangxi Facilities EPC Contract
“No. 8 Yangxi Facilities”	No. 8 desulfurization facilities to be owned by Yangxi Electric upon the completion of No. 7-8 Yangxi Facilities EPC Contract
“No. 7-8 Yangxi Facilities”	No. 7 Yangxi Facilities and No. 8 Yangxi Facilities
“No. 7-8 Yangxi Facilities EPC Contract”	an EPC contract to be entered into between Beijing Boqi and Yangxi Electric regarding the EPC of No. 7-8 Yangxi Facilities upon the approval by the Independent Shareholders at the EGM
“O&M”	operation and maintenance

DEFINITIONS

“PPI”	producer price index
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Proposed Annual Caps for Ancillary Charges”	the proposed annual caps for the ancillary charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; and (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028
“Proposed Annual Caps for Service Fees”	the proposed annual caps for the service fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028; (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 August 2027; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 July 2027, respectively
“Prospectus”	the prospectus of the Company dated 28 February 2018
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of the Share(s)
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder”	has the same meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Yangxi Agreements”	collectively, (i) the management service agreement entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 31 December 2016; (ii) the service pricing agreement entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 1 January 2017; (iii) the supplemental management service agreement entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 28 August 2017; (iv) the supplemental agreements entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 8 March 2018 and 20 July 2018; and (v) the 2020 Supplemental Agreement, pursuant to which Beijing Boqi shall provide O&M services in respect of No. 1-2 Yangxi Facilities and No. 3-4 Yangxi Facilities
“Yangxi Electric”	Yangxi Haibin Electric Power Development Co., Ltd.* (陽西海濱電力發展有限公司), a limited liability company established in the PRC on 5 February 2004, a wholly-owned subsidiary of Guangdong Huaxia Electric
“%”	percentage

* For identification purposes only

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Any discrepancy between totals and sums of individual amounts in this circular are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD



China Boqi Environmental (Holding) Co., Ltd.

中國博奇環保(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

Executive Directors:

Mr. Zeng Zhijun (*Chairman*)

Mr. Liu Genyu

Ms. Qian Xiaoning

Registered Office:

PO Box 309, Ugland House

Grand Cayman KY1-1104

Cayman Islands

Non-executive Directors:

Mr. Zheng Tony Tuo

Mr. Zhu Weihang

Mr. Chen Xue

Principal Place of Business

in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

Independent Non-executive Directors:

Dr. Xie Guozhong (*Lead independent
non-executive Director*)

Mr. Li Tao

Prof. Yu Wayne W.

Ms. Zhang Fan

28 August 2025

To the Shareholders

Dear Sir or Madam,

- (I) CONTINUING CONNECTED TRANSACTION IN RELATION TO
NO. 7-8 YANGXI FACILITIES EPC CONTRACT;
(II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE;
(B) NO. 3-4 YANGXI FACILITIES O&M OPERATION;
(C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT;
AND
(D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND
DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 26 June 2025 in relation to, among others, (i) continuing connected transaction in relation to No. 7-8 Yangxi Facilities EPC Contract; and (ii) continuing connected transactions in relation to (a) No. 1-2 Yangxi Facilities Operation Service, (b) No. 3-4 Yangxi Facilities O&M Operation, (c) No. 5-6 Yangxi

LETTER FROM THE BOARD

Facilities Maintenance Service Agreement and (d) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement (including the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges).

Beijing Boqi shall enter into No. 7-8 Yangxi Facilities EPC Contract with Yangxi Electric upon the approval by the Independent Shareholders at the EGM regarding the EPC of No. 7-8 Yangxi Facilities with the consideration of RMB129.58 million (excluding tax, and approximately RMB143.66 million with tax included). The transactions in respect of (a) No. 1-2 Yangxi Facilities Operation Service, (b) No. 3-4 Yangxi Facilities O&M Operation, (c) No. 5-6 Yangxi Facilities Maintenance Service Agreement and (d) No. 1-6 Yangxi Facilities Coal Conveying as well as the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges were approved at the extraordinary general meeting of the Company convened on 29 December 2023. Since the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges will expire on 31 December 2025, the Company proposed to set the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

The purpose of this circular is to provide you with, among other things, (i) further details of No. 7-8 Yangxi Facilities EPC Contract; (ii) further details of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement (including the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges); (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice convening the EGM.

II. NO. 7-8 YANGXI FACILITIES EPC CONTRACT

Beijing Boqi shall enter into an EPC contract with Yangxi Electric upon the approval by the Independent Shareholders at the EGM regarding the EPC of No. 7-8 Yangxi Facilities with the consideration of approximately RMB129.58 million (excluding tax, and approximately RMB143.66 million with tax included). The major terms of No. 7-8 Yangxi Facilities EPC Contract are as follows:

Parties:	Yangxi Electric, as the principal; and Beijing Boqi, as the contractor
Scope of service:	Facilities supply and installation and commissioning of No. 7-8 Yangxi Facilities, including but not limited to facilities design, facilities selection, facilities procurement and supply, facilities design, installation and commissioning, on-site services, technical guidance, and other work scope within No. 7-8 Yangxi Facilities EPC Contract, as well as defect repair and warranty during the warranty period caused by reasons and responsibilities of Beijing Boqi.

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Term: The total term requirement from Yangxi Electric: before the cold-state test of each boiler, the corresponding desulfurization units should be capable for flue gas supply, and the desulfurization units should complete the 168-hour trial operation simultaneously with the corresponding No. 7-8 Yangxi Facilities.

The preliminary term: from the first concrete tank in the main plant (boiler room) to the first flue gas connection of the desulfurization units, No. 7 Yangxi Facilities has a term of 26 months and No. 8 Yangxi Facilities has a term of 32 months. The two desulfurization units should complete the 168-hour trial operation simultaneously with the corresponding No. 7-8 Yangxi Facilities.

The above term is based on preliminary plan and for reference only. Beijing Boqi should, on the premise of meeting the construction period goals of Yangxi Electric, formulate its own construction period goals, quality goals, cost goals and other goals.

Consideration: RMB129.58 million (excluding tax, and approximately RMB143.66 million with tax included)

Payment terms: **(i). Payment of advance payment**

After the signing and effectiveness of No. 7-8 Yangxi Facilities EPC Contract, within 45 days after Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric, Yangxi Electric shall pay 10% of the total consideration (i.e. RMB14,366,000 with tax included) to Beijing Boqi as an advance payment:

- (a). the irrevocable performance guarantee issued by Beijing Boqi in favor of Yangxi Electric in the amount of 10% of the total consideration; and
- (b). financial receipt for 10% of the total consideration.

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(ii). Payment for installation and commissioning

Within 45 days after Beijing Boqi completes the construction nodes as required and confirmed by Yangxi Electric, and submits the application form for the node progress payment for approval by Yangxi Electric, Yangxi Electric shall pay the node progress payment to Beijing Boqi. The specific payment nodes are as follows:

No.	Payment nodes	No. 7 Yangxi Facilities		No. 8 Yangxi Facilities	
		Percentage of the total consideration	Payment amount (RMB)	Percentage of the total consideration	Payment amount (RMB)
1	Desulfurization absorption tower foundation zero meters above	3%	4,309,800	3%	4,309,800
2	Desulfurization absorption tower top	5%	7,183,000	5%	7,183,000
3	Desulfurization complex building foundation zero meters above	5%	7,183,000		
4	Desulfurization complex building to the top	8%	11,492,800		
5	Anti-corrosion of desulfurization absorption tower completed	7.5%	10,774,500	7.5%	10,774,500
6	Desulfurization 10KV power reception	6%	8,619,600		
7	Unit flushing completed	10%	14,366,000	10%	14,366,000
Total		44.5%	63,928,700	25.5%	36,633,300

LETTER FROM THE BOARD

(iii). Payment of preliminary acceptance payment

Yangxi Electric shall pay 5% of the total consideration (i.e. RMB7,183,000 with tax included) to Beijing Boqi within 45 days after Beijing Boqi completes all delivery obligations under No. 7-8 Yangxi Facilities EPC Contract and completes 168-hour commissioning of a single unit of facilities and Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric:

- (a). the preliminary acceptance certificate for the contract equipment price of the unit of facilities signed by the authorized representative of Yangxi Electric; and
- (b). list of random/mandatory spare parts (if any) and special tools to be handed over.

(iv). Payment of quality guarantee deposit

10% of the total consideration shall be regarded as the quality guarantee deposit for the facilities (the quality guarantee deposit for a single unit of facilities is 5% of the total consideration). The quality guarantee period and the starting date shall be subject to the provisions of the technical agreement signed by Yangxi Electric and Beijing Boqi. Upon the expiration of the quality guarantee period of a single unit of facilities, within 45 days after Yangxi Electric issues the final acceptance certificate and Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric, Yangxi Electric shall pay 5% of the total consideration (i.e. RMB7,183,000 with tax included) to Beijing Boqi:

- (a). the final acceptance certificate of the unit of facilities signed by the authorized representative of Yangxi Electric.

Performance
assessment:

If the project design changes due to design reasons, resulting in costs exceeding 30% of the basic contingency reserve in the estimated budget, a fine of 2% of the total contract value will be imposed for every 5% exceeding the budget. If the determined design principles change and the additional cost of a single design change (as determined by Yangxi Electric) exceeds RMB500,000 (including RMB500,000), the portion exceeding RMB500,000 shall be borne by Beijing Boqi.

LETTER FROM THE BOARD

Internal Control Measures

In order to protect the interests of Shareholders, the Group will continue to adopt and/or continue to procure and maintain the following guidelines and principles when monitoring its transactions under No. 7-8 Yangxi Facilities EPC Contract: the Company will focus on the follow-up of the project of No. 7-8 Yangxi Facilities, including preliminary technical communication and recommendation, as well as participation in the public tender process. While preparing the bidding documents, the Company formulated the preliminary target budget for the project of No. 7-8 Yangxi Facilities based on factors such as the scope of work to be undertaken and the requirements of the tender invitation. Upon successful bidding of the project, the contract entered into with the client will be reviewed and approved by the relevant internal departments of the Company. After the signing of No. 7-8 Yangxi Facilities EPC Contract, the Group will prepare a detailed target budget for the project of No. 7-8 Yangxi Facilities in accordance with the contract requirements. The detailed target budget shall be approved by the Company's business decision-making committee and will be used as a standard for the subsequent assessment of budget management. In order to further protect the interests of Shareholders in the future, the Group will designate specific personnel to be responsible for the daily operation and monitoring of the transactions contemplated under No. 7-8 Yangxi Facilities EPC Contract. In addition, the Company will also review the transactions annually to sum up its experience and remedy any deficiencies.

Basis for Consideration

The consideration of No. 7-8 Yangxi Facilities EPC Contract is determined by negotiations between Yangxi Electric and Beijing Boqi on an arm's length basis with reference to the following factors:

- (i) the price of equipment and materials was determined with reference to the historical purchase price of similar equipment and materials in other projects of the Group, and the reasonable estimated gross profit was considered on this basis;
- (ii) the construction and installation fee was calculated based on the approximate fixed fee, corporate fixed rates and the ancillary fee standard in the electric power industry. The fixed fee is determined in accordance with the budget quota for power construction project (電力建設工程預算定額), an industry pricing standard system formulated by the National Energy Administration of China standard, and corporate fixed rates, while and the ancillary fee standard is determined with reference to the Regulations on the preparation and calculation of the construction budget for thermal power generation projects (火力發電工程建設預算編製與計算規定). The current valid budget quota for power construction project is the 2018 edition, covering professional fields such as building engineering, installation engineering and commissioning engineering. There is no fixed period for this industry pricing standard system. Corporate fixed rates are internal consumption standards compiled by construction companies based on their own technical equipment levels, management capabilities and market practices; and

LETTER FROM THE BOARD

- (iii) other preliminary cost (including insurance, design fee, technical service and other fees) was calculated based on the approximate fixed fee standard in the electric power industry. The fees are also calculated with reference to the regulations on the preparation and calculation of the construction budget for thermal power generation projects (火力發電工程建設預算編製與計算規定), and the reasonable estimated gross profit was considered on this basis.

Reasons for and Benefits of Entering into No. 7-8 Yangxi Facilities EPC Contract

In recent years, the standards of coal consumption and pollution emission have been significantly tightened. In order to comply with the relevant stringent standards, reduce operating risks and minimize the costs that will be incurred, Yangxi Electric has engaged Beijing Boqi, a recognized leading comprehensive flue gas governance service provider, as the sole desulfurization and denitrification service provider for its Guangdong Huaxia Yangxi power plant. In addition, it is in the interest of Yangxi Electric to retain only one desulfurization and denitrification service provider at Yangxi facilities to minimize costs and avoid having to manage several different service providers with different points of contact and possibly using different quality management systems. The desulfurization and denitrification services are provided in the course of the daily operation of the Group, and Beijing Boqi has won a number of recognized awards in the flue gas treatment industry. Moreover, Beijing Boqi has provided O&M services to Yangxi facilities in the past few years and has been familiarized with the operation and facilities of Yangxi Electric.

By entering into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Beijing Boqi utilizes its relevant professional experience and advantages in the maintenance of desulfurization and denitrification facilities to contribute its management experience and obtain reasonable income and returns. On this basis, the execution of No. 7-8 Yangxi Facilities EPC Contract is in line with the Group's overall strategy and business focus in the field of desulfurization and denitrification, and will further enhance its market position in Guangdong Province. It is in the interests of the Group as a whole to strengthen the competitive advantage of the Group's core business.

The Directors (including the independent non-executive Directors, having considered the views of Gram Capital) are of the view that the terms of No. 7-8 Yangxi Facilities EPC Contract have been made on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Proposed Annual Caps of No. 7-8 Yangxi Facilities EPC Contract

The proposed annual caps (excluding tax) of No. 7-8 Yangxi Facilities EPC Contract is as follows:

	For the period from the date of EGM to 31 December 2025 (RMB'million)	For the year ending 31 December 2026 (RMB'million)	For the year ending 31 December 2027 (RMB'million)	For the period from 1 January 2028 to the 32nd month from the date of EGM (RMB'million)
Proposed annual caps	4.95	44.55	88.91	4.12

When determining the above proposed annual caps, the Directors have considered the following factors:

- (i) the anticipated incomes of No. 7-8 Yangxi Facilities EPC Contract;
- (ii) the expected project schedules of the projects of No. 7-8 Yangxi Facilities, as the revenue generated thereunder shall be recognized by stages in accordance with such schedules; and
- (iii) a buffer of 10% for unexpected circumstances during the projects of No. 7-8 Yangxi Facilities.

The Directors (including the independent non-executive Directors, having considered the views of Gram Capital) are of the view that the consideration of the above factors in determining the proposed annual caps of No. 7-8 Yangxi Facilities EPC Contract are prudent, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

III. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE; (B) NO. 3-4 YANGXI FACILITIES O&M OPERATION; (C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT; AND (D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT

Please refer to the Company's announcements dated 27 October 2023 and 25 January 2022 and the Company's circular dated 12 December 2023 for the background and history of (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

The term of each of the aforesaid continuing connected transactions is set out as follows:

- (i). No. 1-2 Yangxi Facilities Operation Service has a term until 31 December 2039 pursuant to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement;
- (ii). No. 3-4 Yangxi Facilities O&M Operation's term was extended to 31 December 2028 pursuant to the 2023 Supplemental Agreement;
- (iii). No. 5-6 Yangxi Facilities Maintenance Service has a term from 1 January 2022 to 31 August 2027 pursuant to No. 5-6 Yangxi Facilities Maintenance Service Agreement; and
- (iv). No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance has a term of 50 months from the date of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to 31 July 2027, comprising (a) first stage up to 31 May 2024; (b) second stage from 1 June 2024 to 31 May 2025; and (c) third stage from 1 June 2025 to 31 July 2027, pursuant to No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

The transactions contemplated thereunder as well as the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges were approved at the extraordinary general meeting of the Company convened on 29 December 2023. Since the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges will expire on 31 December 2025, the Company proposed to set the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

LETTER FROM THE BOARD

(A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE

On 27 October 2023, Beijing Boqi entered into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement with Guangdong Huaxia Electric and Yangxi Electric, pursuant to which Beijing Boqi agreed to acquire from Yangxi Electric No. 1-2 Yangxi Facilities (except for land) for the consideration of RMB154.26 million (excluding tax) (i.e. the Acquisition). According to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, upon completion of the Acquisition, the O&M services in relation to No. 1-2 Yangxi Facilities provided by Beijing Boqi under the Yangxi Agreements shall be terminated and Beijing Boqi shall carry out No. 1-2 Yangxi Facilities Operation Service for a term until 31 December 2039. Under No. 1-2 Yangxi Facilities Operation Service, Beijing Boqi shall receive service fees in relation to (i) desulfurization and denitrification subsidies that are calculated by multiplying on-grid power generation by the applicable fixed rates; and (ii) “ultra-low emission” operation service fees that are calculated based on actual operation and maintenance costs. Meanwhile, Beijing Boqi shall pay Yangxi Electric ancillary charges arising from No. 1-2 Yangxi Facilities Operation Service.

Major terms in relation to No. 1-2 Yangxi Facilities Operation Service under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement are set out below:

Term for No. 1-2 Yangxi Facilities Operation Service:	No. 1-2 Yangxi Facilities Operation Service shall have a term until 31 December 2039. Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 1-2 Yangxi Facilities Operation Service, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the circular of the Company dated 12 December 2023.
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LETTER FROM THE BOARD

Scope of No. 1-2 Yangxi Facilities Operation Service:	Beijing Boqi shall be responsible for provision of operation service by utilizing No. 1-2 Yangxi Facilities in relation to desulfurization and denitrification to ensure that Yangxi Electric's production and operation can meet the national standards and relevant requirements. The scope of No. 1-2 Yangxi Facilities Operation Service shall include (among others): (i). determining the inlet parameter ranges of sulfur dioxide in the desulfurization system and nitrogen oxides in the denitrification system according to applicable laws, regulations and standards, project design conditions and current actual operating conditions; (ii). system operation, daily maintenance, overhaul service, gypsum and desulfurization and denitrification waste treatment and other related work; (iii). coordinating with relevant government departments and be responsible for relevant costs; (iv). ensuring the safe and stable operation of No. 1-2 Yangxi Facilities and meeting the operation needs of the relevant power plant; (v). subject to compliance with the inlet parameter requirements, ensuring the relevant pollutant discharge indicators comply with the applicable laws, regulations and standards, and ensuring the total amount of pollutant discharge is not higher than the project indicators as issued by the relevant PRC government department; and (vi). subject to compliance with the inlet parameter requirements, carrying out relevant upgrades and technical transformation to meet the latest requirements of applicable laws, regulations and standards.
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LETTER FROM THE BOARD

Service fees: The service fees in respect of No. 1-2 Yangxi Facilities Operation Service are calculated in the following manners:

(i). Desulfurization and denitrification subsidies

The service fees in respect of desulfurization and denitrification subsidies shall be calculated by multiplying on-grid electricity generation (kWh) to be generated by No. 1-2 Yangxi power generating units by RMB0.025 per kWh, being the rate as mutually agreed by the parties after considering the “benchmark desulfurization and denitrification subsidies”. Such rate shall be adjusted according to changes in “benchmark desulfurization and denitrification subsidies”. According to Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and the Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908 (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號))), the currently applicable “benchmark desulfurization subsidies” is RMB0.015 per kWh (tax included) and the currently applicable “benchmark denitrification subsidies” is RMB0.01 per kWh (tax included).

The aforesaid rate of RMB0.025 per kWh has been determined after taking into account (i) the aforesaid “benchmark desulfurization and denitrification subsidies”; (ii) additional costs and expenses to be incurred after No. 1-2 Yangxi Facilities became our assets subsequent to the Acquisition; and (iii) the expected costs involving the installed capacity of the coal-fired power plant, the type of devices installed, and the flue gas parameters of the environmental protection device (flue gas volume, SO₂ content of the flue gas inlet, NO_x content of the inlet), limestone, spare parts, labor, which reflect the specific requirements of each project. As such, the Directors were of the view that the rate is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

In addition, the service fees in respect of desulfurization and denitrification subsidies shall be subject to a “floating” adjustment ranging from 10% premium to 10% discount (i.e. $\pm 10\%$) with reference to Yangxi Electric’s annual profits based on its audited annual financial statements in the following manner:

- (a). if Yangxi Electric records net profits for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment ranging from 10% premium to 10% discount based on the annual settlement in respect of desulfurization and denitrification subsidies; and
- (b). if Yangxi Electric records net loss for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount of up to 10% only based on the annual settlement in respect of desulfurization and denitrification subsidies.

(ii). “Ultra-low emission” operation service fees

The service fees in respect of “ultra-low emission” operation shall be equivalent to the actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi plus a premium of 10%, as well as plus value-added tax based on the invoice issued by Beijing Boqi.

The actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi comprises fixed cost and variable cost. Fixed cost shall include labor cost (including management cost), spare parts cost and auxiliary material cost which is adjusted according to the PPI of Guangdong Province the year before. The annual labour cost shall be RMB150,500 and the annual spare parts cost shall be RMB250,000. Variable cost shall include electricity charges and expenses in relation to limestone, liquid ammonia, gypsum and catalyst and is calculated by multiplying the consumption per unit of on-grid electricity generation by the applicable unit price based on the unified bidding and then further multiplied by actual on-grid electricity generation.

LETTER FROM THE BOARD

Payment obligation of service fees:	(i). For desulfurization and denitrification subsidies, Yangxi Electric shall pay to Beijing Boqi the service fee in relation to the following month on a monthly basis and within 90 days from the first day of the following month; (ii). For “floating” service fees, Yangxi Electric shall settle with Beijing Boqi on an annual basis; and (iii). For “ultra-low emission” operation service fees, Yangxi Electric shall pre-pay to Beijing Boqi the service fee in relation to the following quarter on a quarterly basis and within 90 days from the first day of the first month of a quarter, and settle based on the approved electricity generation for ultra- low emission on an annual basis, with refunds for excess and compensations for shortages.
Ancillary charges:	Ancillary charges refer to relevant operation charges, which include water, electricity, vapor, gas, environmental protection penalty (including confiscated environmental electricity price), operation assessment and pollution tax and office and staff quarter charges and other relevant operational charges, which shall be calculated by multiplying the actual consumption by the applicable unit price stipulated in No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement.
Payment obligation of ancillary charges:	Beijing Boqi shall pay the ancillary charges to Yangxi Electric on a monthly basis and within 90 days from the first day of the following month.

LETTER FROM THE BOARD

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ending 31 December 2025 in relation to No. 1-2 Yangxi Facilities Operation Service under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement:

For the year ended 31 December	Actual transaction amounts (RMB'million)	Existing annual caps (RMB'million)
2023	98.8	114.4
2024	103.0	152.9
2025	46.3	152.9
	(for the period from 1 January 2025 to 31 May 2025)	

(B) NO. 3-4 YANGXI FACILITIES O&M OPERATION

On 27 October 2023, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into the 2023 Supplemental Agreement, pursuant to which the parties agreed to amend and supplement certain terms contemplated under the Yangxi Agreements. Major terms of the 2023 Supplemental Agreement are set out below:

Date:	27 October 2023
Parties:	Beijing Boqi (as operation service provider)
	Guangdong Huaxia Electric (as site owner)
	Yangxi Electric (as site owner)
Subject matter:	To amend and supplement certain terms contemplated under the Yangxi Agreements

LETTER FROM THE BOARD

Revised term: Pursuant to the Yangxi Agreements, the term shall be from 1 January 2017 to 31 December 2025.

Pursuant to the 2023 Supplemental Agreement, the parties agreed (i) to terminate the O&M operation of No. 1-2 Yangxi Facilities from the completion date of the Acquisition which has been completed as of 5 February 2024; and (ii) to extend the term of No. 3-4 Yangxi Facilities O&M Operation to 31 December 2028.

Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 3-4 Yangxi Facilities O&M Operation, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the circular of the Company dated 12 December 2023.

Revised service fees: The pricing terms has been adjusted retrospectively (without interest) from 1 January 2023, which include service fees for (i) No. 1-2 Yangxi Facilities from 1 January 2023 to the completion date of the Acquisition which has been completed as of 5 February 2024; and (ii) No. 3-4 Yangxi Facilities from 1 January 2023 to 31 December 2028, in the following manners:

(i). Desulfurization and denitrification subsidies

The service fees in respect of desulfurization and denitrification subsidies shall be calculated by multiplying on-grid electricity generation (kWh) to be generated by No. 1-4 Yangxi power generating units (as the case may be) by RMB0.02143 per kWh, being the fixed rate as mutually agreed by the parties after considering the “benchmark desulfurization and denitrification subsidies”.

The aforesaid rate of RMB0.02143 per kWh has been determined after taking into account (i) the aforesaid “benchmark desulfurization and denitrification subsidies”; and (ii) the expected costs involving the installed capacity of the coal-fired power plant, the type of devices installed, and the flue gas parameters of the environmental protection device (flue gas volume, SO₂ content of the flue gas inlet, NO_x content of the inlet), limestone, spare parts, labor, which reflect the specific requirements of each project. As such, the Directors were of the view that the rate is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

The service fees in respect of desulfurization and denitrification subsidies shall be subject to a “floating” adjustment ranging from 10% premium to 10% discount (i.e. $\pm 10\%$) with reference to Yangxi Electric’s annual profits based on its audited annual financial statements in the following manner:

- (a). if Yangxi Electric records net profits for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment ranging from 10% premium to 10% discount based on the annual settlement in respect of desulfurization and denitrification subsidies; and
- (b). if Yangxi Electric records net loss for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount of up to 10% only based on the annual settlement in respect of desulfurization and denitrification subsidies.

For details of the pricing terms in respect of the desulfurization and denitrification subsidies under the Yangxi Agreements, please refer to the circular of the Company dated 8 December 2020. Under the 2023 Supplemental Agreement, the pricing terms of desulfurization and denitrification subsidies shall be adjusted with introduction of upper and lower floor of 10% and further adjustment mechanism for the floating adjustment.

(ii). “Ultra-low emission” operation service fees

The service fees in respect of “ultra-low emission” operation shall be equivalent to the actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi plus a premium of 10%, as well as plus value-added tax based on the invoice issued by Beijing Boqi.

The actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi comprises fixed cost and variable cost. Fixed cost shall include labor cost (including management cost), spare parts cost, and auxiliary material cost and shall consider an increase which is adjusted according to the PPI of Guangdong Province the year before. The annual labour cost shall be RMB150,500 and the annual spare parts cost and auxiliary material cost shall be RMB250,000 for No. 3-4 Yangxi Facilities after completion of the Acquisition. Variable cost shall include electricity charges and expenses in relation to limestone, liquid ammonia, gypsum and catalyst and is calculated by multiplying the consumption per unit of on-grid electricity generation by the applicable unit price based on the unified bidding and then further multiplied by actual on-grid electricity generation.

LETTER FROM THE BOARD

- Revised payment obligation of service fees:
- (i). For desulfurization and denitrification subsidies, Yangxi Electric shall pay to Beijing Boqi the service fee in relation to the following month on a monthly basis and within 90 days from the first day of the following month;
 - (ii). For “floating” service fees, Yangxi Electric shall settle with Beijing Boqi on an annual basis; and
 - (iii). For “ultra-low emission” operation service fees, Yangxi Electric shall pre-pay to Beijing Boqi the service fee in relation to the following quarter on a quarterly basis and within 90 days from the first day of the first month of a quarter, and settle based on the approved electricity generation for ultra- low emission on an annual basis, with refunds for excess and compensations for shortages.

Save as disclosed above, all other terms of the Yangxi Agreements shall remain unchanged. As such, all the relevant transactions in respect of O&M service of No. 1-4 Yangxi Facilities had been conducted pursuant to the Yangxi Agreements between 1 January 2023 and 27 October 2023, i.e. the date of the 2023 Supplemental Agreement. Other than (i) extension of the term of No. 3-4 Yangxi Facilities O&M Operation and termination of the O&M operation of No. 1-2 Yangxi Facilities from the completion date of the Acquisition which has been completed as of 5 February 2024; and (ii) revision of the pricing terms in relation to service fees under the 2023 Supplemental Agreement (details of which are disclosed above), the transactions contemplated under the 2023 Supplemental Agreement were the same as those conducted under the Yangxi Agreements, given all other terms of the Yangxi Agreements shall remain the same, and thus no new transactions would be contemplated under the 2023 Supplemental Agreement.

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ending 31 December 2025 in relation to No. 3-4 Yangxi Facilities O&M Operation under the Yangxi Agreements (as supplemented by the 2023 Supplemental Agreement):

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	131.0	134.6
2024	109.4	142.3
2025	32.7	142.3
	(for the period from 1 January 2025 to 31 May 2025)	

LETTER FROM THE BOARD

Ancillary Charges under the Yangxi Agreements

Under the Yangxi Agreements, Beijing Boqi shall pay the ancillary charges to Yangxi Electric before the 10th day of each month, including water, electricity, vapor, gas, environmental protection penalty and pollution tax fees and other relevant operational charges. Terms in relation to ancillary charges were not revised by the 2023 Supplemental Agreement and thus, shall remain unchanged.

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ending 31 December 2025 in relation to ancillary charges of No. 1-4 Yangxi Facilities under the Yangxi Agreements:

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	71.9	81.5
2024	71.9	90.6
2025	25.6	90.6
	(for the period from 1 January 2025 to 31 May 2025)	

(C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT

On 25 January 2022, Beijing Boqi Yangxi Branch entered into No. 5-6 Yangxi Facilities Maintenance Service Agreement with Yangxi Electric. On 29 December 2023, Beijing Boqi Yangxi Branch entered into No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement with Yangxi Electric to amend the total service fee, which was approved at the extraordinary general meeting of the Company convened on 29 December 2023. The major terms of No. 5-6 Yangxi Facilities Maintenance Service Agreement (as supplemented by No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement) are set out below:

Parties:	Beijing Boqi Yangxi Branch (as contractor and service provider) Yangxi Electric (as contract-issuing party)
Term:	From 1 January 2022 to 31 August 2027
Subject:	Provision of maintenance services in respect of No. 5-6 Yangxi Facilities by Beijing Boqi Yangxi Branch

LETTER FROM THE BOARD

Scope of
service:

The scope of maintenance services includes but not limited to:

- (1) Maintenance facilities: all maintenance facilities of desulfurization, denitration and public systems (including ammonia area); desulfurization wastewater treatment system and its supporting equipment; desulfurization wastewater drug handling/preparation, etc.; glass flake and spray layer repair (single repair $\leq 50\text{m}^2$);
- (2) Electrical facilities: all on-site power boxes, distribution boxes, maintenance power boxes and other primary and secondary equipment; outsourced work for low-voltage motors of 37kW and below (including coil replacement, rotor dynamic balance, shaft spraying repair, etc.); 10kV system panel (responsible for the primary electrical part only), 380V system panel, DC system panel and battery, UPS panel, dry-type transformer, local transfer motor equipment, local maintenance box, ventilation, cables, and cable fire protection facilities, cable tray, cable trench and grounding system; lightning protection facilities;
- (3) Thermal control facilities: all thermal control facilities for desulfurization, denitrification, and public systems (including ammonia area); all thermal control facilities for desulfurization and wastewater treatment system and its supporting equipment systems; desulfurization and denitrification CEMS system equipment;
- (4) Comprehensive facilities: fire-fighting water system and fire-fighting underground pipe network system; scaffolding erection and disassembly, thermal insulation disassembly and assembly, sporadic paint anticorrosion; daily inspection and maintenance of hoisting machinery, elevator equipment and shafts, and cooperation with the special equipment inspection department to complete the annual inspection; air conditioning and lighting maintenance;
- (5) Sanitation and cleaning: sanitation and cleaning of all equipment (including steel frames, pipes, etc.); sanitation and cleaning within the area (excluding ground cleaning and greening, watering and weeding); and
- (6) Other work within the scope of service of Beijing Boqi Yangxi Branch.

LETTER FROM THE BOARD

Service fee: Subject to adjustment that may be made in accordance with No. 5-6 Yangxi Facilities Maintenance Service Agreement, the total revised service fee is RMB35,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement which was increased from the total original service fee of RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement, details of which are set out below:

No.	Item	Unit price (RMB)	Amount	Total fee to be received during the entire term (RMB)
1.	Routine maintenance fee for No. 5-6 Yangxi Facilities <i>(Note 1)</i>	455,864 per month	68 months	30,998,752
2.	C-level inspection and maintenance for each of No. 5-6 Yangxi Facilities <i>(Note 2)</i>	192,124.80 each <i>(subject to actual costs incurred)</i>	10 times	1,921,248 <i>(subject to actual costs incurred)</i>
3.	Adjustment provision for labor costs for routine maintenance for No. 5-6 Yangxi Facilities in the third stage between 1 January 2025 and 31 August 2027 <i>(Note 3)</i>	Nil	Nil	1,000,000 <i>(subject to adjustment mechanism stated below)</i>
4.	Projects of which the individual project price exceeds RMB50,000 but less than RMB100,000 <i>(Note 4)</i>	Nil	Nil	2,000,000
Total				35,920,000

Notes:

- The routine maintenance fee primarily includes labor costs, ancillary facilities and equipment fee, management fee, consumable material costs, etc. The labor costs are determined with reference to the prevailing market price of labor unit of Yangjiang City and the estimated number of on-site workers based on the Group's other existing projects for provision of similar maintenance services.
- The C-level inspection and maintenance is determined with reference to the terms of other existing maintenance service agreements in relation to the provision of services to power plants for the maintenance of desulfurization and denitrification facilities that have been entered into by the Group.

LETTER FROM THE BOARD

3. The amount of adjustment provision for labor costs for routine maintenance is determined based on requirements set out in the tendering document, which is applicable to all service providers participated in the tendering process.
4. Pursuant to No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement, the total service fee was revised so as to cover (i) the projects of which the individual project price does not exceed RMB50,000, which was already included in the original total service fee of RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (ii) the projects of which the individual project price exceeds RMB50,000 but less than RMB100,000 which was additionally added stated above.

For projects of which the individual project price exceeds RMB100,000, Yangxi Electric will undergo separate tender process to seek service providers.

The total service fee was increased from RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement to RMB35,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement to better meet on-site service and emergency needs, and the revised service fee in respect of No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement is determined based on the expected service fee to be incurred from additional service fee coverage of projects with the individual project (such as additional on- site technology improvements, rectifications, emergency repairs and equipment abnormalities, etc.) price that exceeds RMB50,000 but less than RMB100,000.

Payment term: **(1) Monthly payment:**

Beijing Boqi Yangxi Branch shall submit the payment application form for service fee incurred for the previous month before the 10th of each month to Yangxi Electric. Yangxi Electric shall pay Beijing Boqi Yangxi Branch 90% of the total payment for the previous month as approved by Yangxi Electric and the remaining 10% will be withheld by Yangxi Electric as maintenance warranty (the “**maintenance warranty**”). The last monthly payment will be made after the parties settle No. 5-6 Yangxi Facilities Maintenance Service Agreement.

LETTER FROM THE BOARD

(2) Refund of the maintenance warranty:

- (a) Routine maintenance warranty: Yangxi Electric shall refund routine maintenance warranty (interest-free) annually after the expiration of the annual routine maintenance period and within 30 days after Yangxi Electric confirms that the facilities have no maintenance quality issue. The last refund for the routine maintenance warranty will be made after the parties settle No. 5-6 Yangxi Facilities Maintenance Service Agreement.
- (b) C-level inspection and maintenance warranty: Yangxi Electric shall refund the C-level maintenance warranty (interest-free) after three months from the completion of a single C-level inspection and maintenance by Beijing Boqi Yangxi Branch and within 30 days after Yangxi Electric confirms that the facilities have no quality issues.

Adjustment mechanism for labor costs: The labor costs for routine maintenance in the first and second stages will not be adjusted. Only the labor costs incurred in the third stage (i.e. from 1 January 2025 to 31 August 2027) will be adjusted.

The calculation formula of labor cost adjustment: $F_i = M \times C \times$ the third-stage monthly maintenance quantity (i.e. 32 months), of which:

F_i = the adjustment price of the labor cost for the routine maintenance in the third stage;

M = the monthly labor cost for the routine maintenance (the maximum shall not exceed 72% of the total monthly routine maintenance fee);

C = the adjustment ratio of labor cost ($-10\% \leq C \leq 10\%$, the excess part will not be adjusted);

$$\text{The adjustment ratio of the labor cost} = \left(\frac{\text{the weighted average price of the comprehensive labor unit price of the Yangjiang Project Cost Information in the first quarter of 2025}}{\text{the weighted average price of the comprehensive labor unit price of the Yangjiang Project Cost Information in the third quarter of 2021}} - 100\% \right) \times 50\%$$

LETTER FROM THE BOARD

The comprehensive labor unit price is determined with reference to the “Yangjiang Project Cost Information” during the performance of No. 5-6 Yangxi Facilities Maintenance Service Agreement. The labor cost adjustment for the routine maintenance in the third phase will be paid on an average monthly basis since the second quarter of the third phase.

Based on the principle of risk sharing, if the weighted average price of the comprehensive labor unit price in the third stage drops year-on-year, Yangxi Electric will deduct the payment to Beijing Boqi Yangxi Branch according to the above-mentioned labor cost adjustment calculation principle. If Beijing Boqi Yangxi Branch raises any objection and requests termination of No. 5-6 Yangxi Facilities Maintenance Service Agreement, it shall be deemed as a breach of contract. Yangxi Electric has the right to deduct the unpaid adjustment of labor costs for the routine maintenance, and Beijing Boqi Yangxi Branch shall also compensate Yangxi Electric for liquidated damages of 20% of the annual routine maintenance fees. In the event the liquidated damages are not sufficient to compensate Yangxi Electric’s losses, and Yangxi Electric has the right to continue to seek additional compensation.

Performance
guarantee:

Beijing Boqi Yangxi Branch shall provide an unconditional, irrevocable, and pay-on-demand bank performance guarantee (in the form and content as agreed by Beijing Boqi Yangxi Branch and Yangxi Electric) (the “**guarantee**”) in favor of Yangxi Electric with an amount equivalent to 10% of the annual routine maintenance fee. The guarantee will be refunded without interest within 30 days after the expiration or termination of No. 5-6 Yangxi Facilities Maintenance Service Agreement.

Upon receiving the guarantee, Yangxi Electric will refund the tendering deposit.

If Beijing Boqi Yangxi Branch fails to comply with No. 5-6 Yangxi Facilities Maintenance Service Agreement, Yangxi Electric has the right to unilaterally terminate No. 5-6 Yangxi Facilities Maintenance Service Agreement, and deduct all or part of the guarantee depending on the severity of the breach. For the avoidance of doubt, the guarantee co-exists with Beijing Boqi Yangxi Branch’s other responsibilities and liabilities under No. 5-6 Yangxi Facilities Maintenance Service Agreement.

LETTER FROM THE BOARD

Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 5-6 Yangxi Facilities Maintenance Service Agreement, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the announcement of the Company dated 25 January 2022.

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ending 31 December 2025 under No. 5-6 Yangxi Facilities Maintenance Service Agreement (as supplemented by No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement):

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	5.5	6.1
2024	5.3	7.2
2025	2.5 (for the period from 1 January 2025 to 31 May 2025)	7.2

(D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT

On 29 December 2023, Beijing Boqi Yangxi Branch entered into No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement with Yangxi Electric, which was approved at the extraordinary general meeting of the Company convened on 29 December 2023. Major terms of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are set out below:

Parties:	Beijing Boqi Yangxi Branch (as contractor and service provider) Yangxi Electric (as contract-issuing party)
Term:	50 months. From the date of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to 31 July 2027, comprising (i) first stage up to 31 May 2024; (ii) second stage from 1 June 2024 to 31 May 2025; and (iii) third stage from 1 June 2025 to 31 July 2027.

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Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the circular of the Company dated 12 December 2023.

Subject matter: Provision of operation and maintenance services of coal conveying system and dock system (including pipe gallery, coal containing wastewater treatment system, all equipment at the dock, excluding air conditioning, firefighting, and lifting equipment within the bid section) in respect of No. 1-6 Yangxi Facilities by Beijing Boqi.

Service fee: The total service fee is approximately RMB84.9 million, details of which are set out below:

No.	Item	Unit price (RMB)	Amount	Total fee to be received during the entire term (RMB)
1.	Routine maintenance fee for No. 1-6 Yangxi Facilities (Note 1)	1,479,241.04 per month	50 months	73,962,052.00
2.	Separate priced items			
2.1.	Maintenance fee for delayed operation of No. 5-6 facilities (Note 2)	155,119.86 per month	40 months	6,204,794.40 (subject to actual costs incurred)
2.2.	Additional projects fee (Note 3)	Nil	Nil	2,000,000.00 (subject to actual costs incurred)
3.	Adjustment of labor costs for routine maintenance in the third stage (Note 4)	Nil	Nil	2,749,905.00 (subject to adjustment mechanism stated below)
Total				84,916,751.40

Notes:

- The maintenance fee primarily includes labor costs, material costs, construction machinery cost, management fee, etc.
- The maintenance fee for delayed operation of No. 5-6 facilities includes BC1A/B/C belt conveyor extension section and dock extension section, No. 4 ship unloader and No. 5 ship unloader.

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3. For the individual project price exceeding RMB50,000 but less than RMB100,000, the total price of the additional projects fee is estimated to be RMB2,000,000 subject to the actual costs incurred.
4. The amount of adjustment provision for labor costs for maintenance is determined based on requirements set out in the tendering document, which is applicable to all service providers participated in the tendering process.

Pricing basis of service fee: The total service fee in respect of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement is determined based on the bidding price offered by the Group based on the objective standards in terms of the required scope of services and the respective term and frequency required for different types of services set out in the tendering process, after which Yangxi Electric awarded the contract to us after conducting the bid-evaluation.

The tendering procedures mainly consist of certain stages: (i) Yangxi Electric will issue the tender invitation to various entities in the industry; (ii) the entities will prepare the tender materials according to the bidding invitation and submit to Yangxi Electric; and (iii) the bid-evaluation team of Yangxi Electric will consider the comprehensive aspects, such as the quotations, technical skills, business operation, qualification, historical trading records of the bidders, and settlement methods, and enter into a contract with the winning bidder.

The Group has performed and considered the following factors before determining the bidding price:

- (i). assigning a designated team responsible for preparing bidding proposals and other related work;
- (ii). liaising with the operation and technical departments to understand the nature of the project, including the technical skills, the manpower, materials and equipment involved;
- (iii). formulating the cost estimate by conducting research in the prevailing wages for the required manpower and obtain various quotations for the required materials and equipment;

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- (iv). conducting on-site investigation to better understand the nature and requirements of the project;
- (v). conducting research in relation to the market prevailing prices of similar projects; and
- (vi). discussing and determining the appropriate range of bidding price for a balance between a competitive quotation and achieving better profitability of the project.

Taking into account the aforesaid factors, the Directors were of the view that the basis of determination of the total service fee is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

Payment term: **(1). Monthly payment:**

Beijing Boqi Yangxi Branch shall submit the payment application form for service fee incurred for the previous month before the 10th of each month to Yangxi Electric. Yangxi Electric shall pay Beijing Boqi Yangxi Branch 90% of the total payment for the previous month as approved by Yangxi Electric and the remaining 10% will be withheld by Yangxi Electric as maintenance warranty (the “**maintenance warranty**”). The last monthly payment will be made after the parties settle No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

(2). Refund of the maintenance warranty:

Yangxi Electric shall refund routine maintenance warranty (interest-free) annually after the expiration of the annual routine maintenance period and within 30 days after Yangxi Electric confirms that the facilities have no maintenance quality issue. The last refund for the routine maintenance warranty will be made after the parties settle No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

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Adjustment mechanism for labor costs: The labor costs for routine maintenance in the first and second stages will not be adjusted. Only the labor costs incurred in the third stage will be adjusted.

The calculation formula of labor cost adjustment:

$F_i = M \times C \times$ the third-stage monthly maintenance quantity (i.e. 26 months), of which:

F_i = the adjustment price of the labor cost for the routine maintenance in the third stage;

M = the monthly labor cost for the routine maintenance;

C = the adjustment ratio of labor cost ($-10\% \leq C \leq 10\%$, the excess part will not be adjusted);

$$\text{The adjustment ratio of the labor cost} = \left(\frac{\text{the weighted average price of the comprehensive labor unit price of the Yangjiang Project Cost Information in the first quarter of 2025}}{\text{the weighted average price of the comprehensive labor unit price of the Yangjiang Project Cost Information in the first quarter of 2023}} - 100\% \right) \times 50\%$$

Key assumptions:

1. *Yangjiang Project Cost Information will remain an applicable benchmark for the comprehensive labor unit price in Guangdong Province.*
2. *There will be no material changes in the labour market in Guangdong Province.*

The comprehensive labor unit price is determined with reference to the “Yangjiang Project Cost Information” during the performance of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement. The labor cost adjustment for the routine maintenance in the third stage will be paid on an average monthly basis since the second quarter of the third stage.

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Based on the principle of risk sharing, if the weighted average price of the comprehensive labor unit price in the third stage drops year-on-year, Yangxi Electric will deduct the payment to Beijing Boqi Yangxi Branch according to the above-mentioned labor cost adjustment calculation principle. If Beijing Boqi Yangxi Branch raises any objection and requests termination of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, it shall be deemed as a breach of contract. Yangxi Electric has the right to deduct the unpaid adjustment of labor costs for the routine maintenance, and Beijing Boqi Yangxi Branch shall also compensate Yangxi Electric for liquidated damages of 20% of the annual routine maintenance fees. In the event the liquidated damages are not sufficient to compensate Yangxi Electric's losses, and Yangxi Electric has the right to continue to seek additional compensation.

The liquidated damages of 20% of the annual routine maintenance fees is determined by both parties through negotiation on arm's length basis. According to relevant applicable laws and regulations such as Civil Code of the People's Republic of China (中華人民共和國民法典), the parties may agree that if one party breaches the contract, they shall pay a certain amount of liquidated damages to the other party based on the circumstances of the breach, and the percentage of the aforesaid liquidated damages of annual routine maintenance fees is comparable to the Group's other similar transactions. Therefore, the Directors were of the view that the liquidated damages are fair and reasonable and on the normal commercial terms.

Performance
guarantee:

Beijing Boqi Yangxi Branch shall provide an unconditional, irrevocable and pay-on-demand bank performance guarantee (in the form and content as agreed by Beijing Boqi Yangxi Branch and Yangxi Electric) (the "**guarantee**") in favor of Yangxi Electric with an amount equivalent to 10% of the annual routine maintenance fee. The guarantee will be refunded without interest within 30 days after the expiration or termination of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement. The guarantee with an amount equivalent to 10% of the annual routine maintenance fee is common industry practice for provision of operation and maintenance services of coal conveying system and dock system. Therefore, the Directors were of the view that the guarantee are fair and reasonable and on the normal commercial terms.

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Upon receiving the guarantee, Yangxi Electric will refund the tendering deposit.

The tendering deposit was RMB800,000 and was determined after having considered relevant applicable laws and regulations such as Construction Tendering and Bidding Measures for Engineering Construction Projects (工程建設項目施工招標投標辦法), which provides that the tenderer can require a tendering deposit in the bidding documents; and the tendering deposit shall not exceed 2% of the estimated project price, but the maximum amount shall not exceed RMB800,000. Therefore, the Directors were of the view that the tendering arrangements are fair and reasonable and on the normal commercial terms.

If Beijing Boqi Yangxi Branch fails to comply with No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Yangxi Electric has the right to unilaterally terminate No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, and deduct all of the guarantee. For the avoidance of doubt, the guarantee co-exists with Beijing Boqi's other responsibilities and liabilities under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ending 31 December 2025 in relation to No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement:

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	7.0	7.7
2024	17.1	20.1
2025	7.0 (for the period from 1 January 2025 to 31 May 2025)	20.1

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(E) BASIS OF PRICING TERMS OF THE CCTS

It is the opinion of the Board that the revenue from the CCTs is greatly affected by the scope of service and technical parameters. The pricing policies adopted for the CCTs have taken into account the following factors:

- (i). the expected costs and expenses involved in the CCTs, including but not limited to the costs relating to labour, materials and equipment;
- (ii). the applicable industry benchmark or standard, such as Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908 (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號));
- (iii). average sulfur and nitrogen content and dust volume of flue gas emission of the power plant and the standards to be met, the power generation volume and the location;
- (iv). reasonable returns, including profits gained through sale of reserve parts, spare parts and materials for equipment procured from third-party suppliers;
- (v). the requirements set out in the tender document(s) in terms of required scope of services and respective terms or frequency required for different types of services (as and when applicable); and
- (vi). the prevailing market prices of similar projects.

In respect of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation and No. 5-6 Yangxi Facilities Maintenance Service, the Company's historical project data show that the contract price obtained through commercial negotiations with independent third parties accounts for 65% to 142% of the prevailing government subsidies. The variation arises out of the cost difference in the installed capacity of the coal-fired power plant, the type of devices installed, and the flue gas parameters of the environmental protection device (flue gas volume, SO₂ content of the flue gas inlet, NO_x content of the inlet), limestone, spare parts, labor, which reflect the specific requirements of each project. At the time of entering into the Yangxi Agreements, the rate for the provision of O&M services was determined based on cost plus a reasonable profit margin. The Yangxi Agreements have been implemented since 2017 and the overall gross profit margin of the O&M segment of the Company remained within the range of 20% to 30% for the three financial years ended 31 December 2024. It is expected that the aforesaid overall gross profit margin of the O&M segment of the Company will not be adversely affected after provision of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation and No. 5-6 Yangxi Facilities Maintenance Service.

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In the meantime, at the time of entering into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and 2023 Supplemental Agreement, the government subsidies available to Guangdong Huaxia Electric and Yangxi Electric have been taken into account as one of the factors for the negotiation between the parties for the O&M services rate, which is determined based on the relevant subsidies with respect to desulfurization and denitrification being RMB0.025 per kWh. In event that the government prescribed subsidies are adjusted, the service fees under the Yangxi Agreements shall be adjusted in accordance with further arm's length negotiations with Guangdong Huaxia Electric and Yangxi Electric and by mutual agreement between the parties to ensure that it is on normal commercial terms, no less favourable than those with independent third parties. If there will be any adjustment to the O&M service rate due to adjustment to government subsidies accordingly and supplemental agreement to the Yangxi Agreements to be entered into between the parties, the Company will comply with the approval and disclosure procedures as appropriate in a timely manner in accordance with the Listing Rules, if applicable. The government subsidies are for reference and any risks arising from Yangxi Electric's failure to receive the relevant subsidies from the power grid companies will not affect the service fee income of the Company. Since the implementation of the Yangxi Agreements in 2017 and as of the Latest Practicable Date, the rate (per kWh) for the provision of O&M services under the Yangxi Agreements is a fixed rate (exclusive of value-added tax), which has not been adjusted as the government subsidies have not been adjusted during the corresponding period.

In respect of the floating adjustment in relation to No. 1-2 Yangxi Facilities Operation Service and No. 3-4 Yangxi Facilities O&M Operation, the Directors have taken into account the following factors:

- (i). Floating adjustment has been in place for the service fees in respect of No. 1-4 Yangxi Facilities payable by Yangxi Electric to the Group, which has been determined based on the market conditions and applicable policies. After the long term cooperation, both the Group and Yangxi Electric agreed to further standardize the mechanism of floating adjustment based on the financial performance of No. 1-4 units owned by Yangxi Electric for risk sharing, so as to better maintain and strengthen the cooperation. The Group further negotiated a cap of $\pm 10\%$ as a means to control the risk involved in the floating adjustment.
- (ii). In the worst scenario that the Group's service fees in respect of desulfurization and denitrification subsidies are subject to a 10% discount, according to the results as calculated by the Company, the implied margins for No. 1-2 Yangxi Facilities Operation Service and No. 3-4 Yangxi Facilities O&M Operation still fall within the gross profit margin of projects in respect of similar services provided by the Group to independent third parties, and were above the median, which was within reasonable range.

Taking into account of the above, the Directors were of the view that the floating adjustment is fair and reasonable.

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To the best knowledge and information of the Directors and having made all reasonable enquiries, given the business performance and operation of No. 1-4 units owned by Yangxi Electric are closely associated with the same sets of applicable rules, regulations and policies, Yangxi Electric has been conducting the audit works of its facilities altogether and found practical difficulties in preparing standalone financial statements in respect of No. 1-2 units and No. 3-4 units separately. As such, the floating adjustment in relation to No. 1-2 Yangxi Facilities and No. 3-4 Yangxi Facilities would be determined with reference to the net profit/loss recorded in the audited financial statements of Yangxi Electric, as no standalone audited financial statements would be available for No. 1-2 units or No. 3-4 units owned by Yangxi Electric.

In respect of No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance, the agreements of which were obtained through tender procedures, the Group has performed and considered a series of procedures and factors before determination of the bidding prices. For details, please refer to the paragraph headed “(D). No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement – Pricing basis of service fee” in this circular above.

Taking into account the aforesaid reasons, the Directors were of the view that the pricing terms of the CCTs are fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

(F) PROPOSED ANNUAL CAPS

(1) Proposed Annual Caps for Service Fees

The aggregated Proposed Annual Caps for Service Fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are expected not to exceed RMB331.0 million, RMB323.5 million and RMB301.7 million for the three years ending 31 December 2028, among which, No. 5-6 Yangxi Facilities Maintenance Service has a term from 1 January 2022 to 31 August 2027 and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance has a term of 50 months from the date of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to 31 July 2027, comprising (i) first stage up to 31 May 2024; (ii) second stage from 1 June 2024 to 31 May 2025; and (iii) third stage from 1 June 2025 to 31 July 2027.

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The Proposed Annual Caps for Service Fees are determined mainly after taking into account the revenue/costs expected to be incurred by the transactions contemplated under the aforementioned agreements, by adding a 10% buffer to provide the Company with some flexibility to cater for any unexpected increase in transaction amounts for previous year. The details of the revenue/costs expected to be incurred by the transactions contemplated under the aforementioned agreements are set out below:

(a). No. 1-2 Yangxi Facilities Operation Service

The proposed annual caps of No. 1-2 Yangxi Facilities Operation Service will be RMB153.2 million, RMB153.2 million and RMB153.2 million for the three years ending 31 December 2028, details of which are set out below.

(i). Desulfurization and denitrification subsidies

The expected service fees (inclusive of 10% buffer) in respect of desulfurization and denitrification subsidies from No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028 are determined after having considered the following factors:

- (a). Approximately 6,252 million kWh, being the estimated annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating units, having considered the historical on-grid electricity generation by No. 1-2 Yangxi power generating units, details of which are set out below:

	For the year ended 31 December							
	2018	2019	2020	2021	2022	2023	2024	2025
Annual on-grid electricity generation generated by No. 1-2 Yangxi power generating units (million kWh)	6,252	4,999	3,374	4,764	3,245	4,527	3,722	5,900 (Note)

Note: being the estimated annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating units for the year ending 31 December 2025. The on-grid electricity generation generated by No. 1-2 Yangxi power generating units for the period from 1 January 2025 to 31 May 2025 was approximately 2,181 million kWh.

The estimated annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating units of approximately 6,252 million kWh for the three years ending 31 December 2028 is substantially more than that for 2024. The Directors expected that in the next three years, due to the surge in electricity demand driven by economic recovery, the difficulty of new energy to consistently fill the gap in energy demand in the short term, and the increased demand for energy security, the on-grid electricity generated by thermal power plants is expected to return to the peak level of previous years.

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The on-grid power generation of No. 1-2 Yangxi power generating units is expected to remain at a relatively stable level in the near future with reference to its historical power generation, the GDP growth of Guangdong Province in recent years and the electricity consumption in Guangdong Province.

- (b). RMB0.025 per kWh (tax included), being the aggregate desulfurization and denitrification subsidies based on the current “benchmark desulfurization and denitrification subsidies”. Given that the “benchmark desulfurization and denitrification subsidies” is determined and promulgated by the relevant government authorities, the frequency of renewal is uncertain. The “benchmark desulfurization and denitrification subsidies” has remained stable. The desulfurization subsidy was set at RMB0.015 per kWh (value-added tax included) on 29 May 2007 and hasn’t changed since. The denitrification subsidy was RMB0.008 per kWh (value-added tax included) on 29 November 2011, and was increased to RMB0.01 per kWh (value-added tax included) on 27 August 2013. The subsidies with respect to desulfurization and denitrification being RMB0.025 per kWh is determined in accordance with the relevant regulations on the Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and the Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908 (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號)). Therefore, the Directors considered that the fixed rate is on the normal commercial terms even though the frequency of renewal is uncertain; and
- (c). assuming Beijing Boqi will be entitled to the maximum “floating” premium of 10%.

(ii). *“Ultra-low emission” operation service fees*

The expected service fees (inclusive of 10% buffer) in respect of “ultra-low emission” operation service fees from No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028 are determined after having considered the historical transaction amounts, the market rates and a prudent view that the transaction amounts for upcoming years shall be at a similar level.

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(b). No. 3-4 Yangxi Facilities O&M Operation

The proposed annual caps of No. 3-4 Yangxi Facilities O&M Operation under 2023 Supplemental Agreement will be RMB148.4 million, RMB148.4 million and RMB148.4 million for the three years ending 31 December 2028, details of which are set out below.

(i). Desulfurization and denitrification subsidies

The expected service fees (inclusive of 10% buffer) in respect of desulfurization and denitrification subsidies in relation to No. 3-4 Yangxi Facilities O&M Operation under 2023 Supplemental Agreement for the three years ending 31 December 2028 are determined after having considered the following factors:

- (a). Approximately 6,057 million kWh, being the estimated annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating units (as the case may be) for the three years ending 31 December 2028, having considered the historical on-grid electricity generation by No. 3-4 Yangxi power generating units, details of which are set out below:

	For the year ended 31 December							
	2018	2019	2020	2021	2022	2023	2024	2025
Annual on-grid electricity generation generated by No. 3-4 Yangxi power generating units (million kWh)	5,818	4,674	3,986	4,584	4,282	6,057	5,047	(Note) 5,900

Note: being the estimated annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating units for the year ending 31 December 2025. The on-grid electricity generation generated by No. 3-4 Yangxi power generating units for the period from 1 January 2025 to 31 May 2025 was approximately 1,739 million kWh.

The estimated annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating units is approximately 6,057 million kWh for the three years ending 31 December 2028. The Directors expected that in the next three years, due to the surge in electricity demand driven by economic recovery, the difficulty of new energy to consistently fill the gap in energy demand in the short term, and the increased demand for energy security, the on-grid electricity generated by thermal power plants is expected to return to the peak level of previous years.

The on-grid power generation of No. 3-4 Yangxi power generating units is expected to remain at a relatively stable level in the near future with reference to its historical power generation, the GDP growth of Guangdong Province in recent years and the electricity consumption in Guangdong Province.

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- (b). RMB0.02143 per kWh (tax included), being the fixed rate as mutually agreed by the parties and the same rate stipulated in the 2020 Supplemental Agreement. Given that the “benchmark desulfurization and denitrification subsidies” is determined and promulgated by the relevant government authorities, the frequency of renewal is uncertain. The “benchmark desulfurization and denitrification subsidies” has remained stable. Therefore, the Directors considered that the fixed rate is on the normal commercial terms even though the frequency of renewal is uncertain; and
- (c). the revised pricing terms pursuant to the 2023 Supplemental Agreement, which shall adjust the service fee from 1 January 2023.

(ii). *“Ultra-low emission” operation service fees*

The expected service fees (inclusive of 10% buffer) in respect of “ultra-low emission” operation service fees from No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028 are determined after having considered the historical transaction amounts, the market rates and a prudent view that the transaction amounts for upcoming years shall be at a similar level.

(c). *No. 5-6 Yangxi Facilities Maintenance Service Agreement*

The proposed annual caps under No. 5-6 Yangxi Facilities Maintenance Service Agreement will be RMB7.2 million and RMB5.1 million for the year ending 31 December 2026 and the period from 1 January 2027 to 31 August 2027. Such proposed annual caps were determined by the Board after taking into account the following factors:

- (i) the factors taken into account by the Board in determining the existing annual caps under No. 5-6 Yangxi Facilities Maintenance Service Agreement for the three years ending 31 December 2025, which include: (a) the fixed monthly routine maintenance fee as set out in No. 5-6 Yangxi Facilities Maintenance Service Agreement multiplied by corresponding number of service months during the year; and (b) the C-level inspection and maintenance fee as set out in No. 5-6 Yangxi Facilities Maintenance Service Agreement. Since Beijing Boqi will perform C-level inspection and maintenance service on an as-needed basis in relation to the operation of No. 5-6 Yangxi Facilities, the Company has assumed that the C-level inspection and maintenance service will be performed twice (i.e. once for each of No. 5-6 Yangxi Facilities) per year for the calculation of the existing annual caps under No. 5-6 Yangxi Facilities Maintenance Service Agreement. Nonetheless, Beijing Boqi will observe and comply with No. 5-6 Yangxi Facilities Maintenance Service Agreement and perform C-level inspection and maintenance service for No. 5-6 Yangxi Facilities up to 10 times in total; and (c) the potential labour costs

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increase and inflation and the adjustment mechanism in the third stage between 2025 and 2027 as set out in No. 5-6 Yangxi Facilities Maintenance Service Agreement. For further details, please refer to the announcement of the Company dated 25 January 2022;

- (ii) the historical transaction amounts under No. 5-6 Yangxi Facilities Maintenance Service Agreement; and
- (iii) the amended service fee pursuant to No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement.

(d). No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement

The proposed annual caps of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement will be RMB22.2 million and RMB16.8 million for the year ending 31 December 2026 and the period from 1 January 2027 to 31 July 2027. Such proposed annual caps are determined after having considered the following factors:

- (i). the aggregate of:
 - (a). the fixed monthly routine maintenance fee as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement multiplied by corresponding number of service months during the year;
 - (b). the estimated monthly maintenance fee for delayed operation of No. 5-6 Yangxi Facilities as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement multiplied by corresponding number of service months during the year;
 - (c). the estimated additional projects fee as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement divided by estimated months amount to complete the additional projects and multiplied by corresponding number of service months during the year; and
 - (d). the potential labour costs increase and inflation and the adjustment mechanism in the third stage as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement;

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- (ii). the inclusion of a buffer for the estimated amount of the services required by the Group under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement so as to accommodate any unexpected occurrence or unexpected increase in the cost of provision of the services as contemplated under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

(2) Proposed Annual Caps for Ancillary Charges

The aggregated Proposed Annual Caps for Ancillary Charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; and (ii) No. 3-4 Yangxi Facilities O&M Operation are expected not to exceed RMB99.2 million, RMB99.2 million and RMB99.2 million for the three years ending 31 December 2028.

(a). No. 1-2 Yangxi Facilities Operation Service

The expected ancillary charges (inclusive of 10% buffer) to be incurred by No. 1-2 Yangxi Facilities Operation Service, which will be RMB50.4 million, RMB50.4 million and RMB50.4 million for the three years ending 31 December 2028, are determined with reference to (i) historical ancillary charges incurred by No. 1-4 Yangxi Facilities under O&M services as stated above; (ii) pricing mechanism for ancillary charges pursuant to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement as disclosed above; and (iii) a prudent view that the transaction amounts for upcoming years shall be at a similar level.

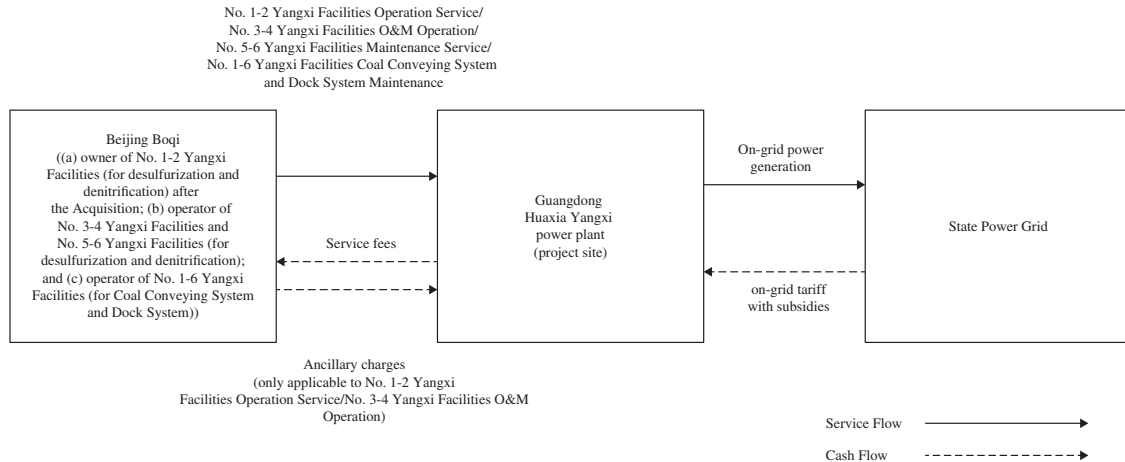
(b). No. 3-4 Yangxi Facilities O&M Operation

The expected ancillary charges (inclusive of 10% buffer) under No. 3-4 Yangxi Facilities O&M Operation, which will be RMB48.8 million, RMB48.8 million and RMB48.8 million for the three years ending 31 December 2028, are determined with reference to (i) historical ancillary charges incurred by No. 1-4 Yangxi Facilities under O&M services as stated above; (ii) pricing mechanism for ancillary charges pursuant to Yangxi Agreements as disclosed above; and (iii) a prudent view that the transaction amounts for upcoming years shall be at a similar level.

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(G) INTERNAL CONTROL MEASURES

The chart below sets forth the business flow of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance among Beijing Boqi, Guangdong Huaxia Yangxi power plant and the State Power Grid:



Service fees in respect of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement

The Company has in place comprehensive project management procedures. Firstly, the Company will establish a project team, which comprises of professionals from the marketing department, business center and technical actuarial department. Secondly, cost estimation will be performed by an inspector from Beijing Boqi who will enter the site of project. Finally, we will enter into commercial negotiation with site owners. During the contracting process, the Company will perform strict contract review and approval process internally with the terms of contract being confirmed by the legal department and financial department in addition to the review conducted by participating business department and the technical actuarial department, so as to guarantee the Company's interests.

The Company has developed standardization systems, enabling it to determine service fees for each operation service and O&M project through strict calculation. As such, the Directors are of the view that the project is carried out according to market practice and the service fees payable by Yangxi Electric will not be lower than those with independent third-party customers.

(i). Desulfurization and denitrification subsidies

The Operation Center of the Company conducts weekly checks on any update on the policies on the government prescribed subsidies for any adjustment, in the public domain and monthly checks on the latest status of the "benchmark on-grid tariff" promulgated by the competent government authorities. In the event that the "benchmark desulfurization and

LETTER FROM THE BOARD

denitrification subsidies” prescribed by the PRC government are adjusted, the service fees in respect of desulfurization and denitrification subsidies under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement shall be adjusted accordingly in the manner as prescribed therein. Also, with respect to service fees in respect of desulfurization and denitrification subsidies under the 2023 Supplemental Agreement, the Company will negotiate with Yangxi Electric on arm’s length negotiation such that it remains as normal commercial terms, no less favourable than those with independent third parties.

Except for the “10% floating adjustment” which shall be settled annually, service fees of desulfurization and denitrification subsidies under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement are settled monthly. On the 15th of each month, the settlement personnel of Yangxi Electric provide the relevant data with respect of the tariff and the settlement certificate between Guangdong Huaxia Yangxi power plant and the State Power Grid. Beijing Boqi determines the actual service fees for the previous month according to the settlement certificate between Guangdong Huaxia Yangxi power plant and the State Power Grid, including the weighted average on-grid tariff based on the on-grid power generation, and the power generation data, and according to the calculation method of the Proposed O&M Services Rate under the terms of the 2023 Supplemental Agreement. After the settlement personnel of both parties have confirmed the actual O&M services rate and the settlement data, the monthly settlement statement will be signed by the project personnel with the department seal in accordance with the internal approval process of Beijing Boqi.

(ii). “Ultra-low emission” operation

The service fee in respect of “ultra-low emission” operation includes fixed cost and variable cost. Fixed cost (such as labour cost and spare parts cost) will be paid in accordance with the terms stated in No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement. Variable costs (such as electricity charges and other expenses, both of which are calculated by multiplying the actual consumption) will be calculated based on actual costs and expenses incurred. In order to ensure that the sum paid upon settlement is the actual costs and expenses incurred, Beijing Boqi will establish a project team, which comprises of professionals from the marketing department, maintenance business center and technical actuarial department to check and calculate the “ultra-low emission” operation fees. Also, an inspector from Beijing Boqi who will enter the site of project to track the actual costs and expenses incurred.

Ancillary charges

In order to ensure that the sum paid upon settlement is the actual charges occurred, Beijing Boqi has installed meters in the areas of its operation. Each month, Beijing Boqi settles ancillary charges by calculation of the actual data with Guangdong Huaxia Yangxi power plant.

LETTER FROM THE BOARD

Specifically, Beijing Boqi has technical personnel on the project site for the provision of services in respect of the Yangxi Facilities, who will check the on-site meters tracking the energy consumption, such as water, electricity, gas and steam. Beijing Boqi and Yangxi Electric shall both confirm the relevant monthly statements prior to payment by Beijing Boqi, ensuring that the ancillary charges are the actual operation costs incurred.

In addition, the Company will endeavor to carry out adequate supervision over the transaction amount under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement against the relevant proposed annual caps, with a view to ensuring that necessary measures and appropriate actions for the compliance with the applicable requirements under the Listing Rules will be promptly taken. Data relating to connected transactions of the Company (including quarterly transaction amounts and cumulative amounts) will be reviewed on a quarterly basis.

Service fees in respect of No. 5-6 Yangxi Facilities Maintenance Service

The service fee in respect of routine maintenance fee for No. 5-6 Yangxi Facilities Maintenance Service (including the adjustment provision for labor costs for routine maintenance for No. 5-6 Yangxi Facilities in the third stage between January 2025 and August 2027) is fixed and will be paid in accordance with the terms stated in No. 5-6 Yangxi Facilities Maintenance Service Agreement.

Whereas, service fee in respect of C-level inspection and maintenance for No. 5-6 Yangxi Facilities Maintenance Services, expected to be a total of RMB1,921,248 as stated in No. 5-6 Yangxi Facilities Maintenance Service Agreement, will be calculated based on actual costs incurred. In order to ensure that the sum paid upon settlement is the actual costs incurred, Beijing Boqi will establish a project team, which comprises of professionals from the marketing department, maintenance business center and technical actuarial department to check and calculate the costs to be incurred, especially, an inspector from Beijing Boqi who will enter the site of project to track the costs incurred ensuring that the C-level inspection and maintenance fees are the actual costs incurred. The Group's finance department will double check services fees to be received according to settlement certificate between Beijing Boqi Yangxi Branch and Yangxi Electric.

Service fees in respect of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement

The service fee in respect of routine maintenance fee for No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance (including the adjustment provision for labor costs for routine maintenance for No. 1-6 Yangxi Facilities in the third stage) is fixed and will be paid in accordance with the terms stated in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

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Whereas, maintenance fee for delayed operation of No. 5-6 Yangxi Facilities and additional projects fee, expected to be a total of RMB8,204,794.4 as stated in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, will be calculated based on actual costs incurred. In order to ensure that the sum paid upon settlement is the actual costs incurred, Beijing Boqi will establish a project team, which comprises of professionals from the marketing department, maintenance business center and technical actuarial department to check and calculate the costs to be incurred, especially, an inspector from Beijing Boqi who will enter the site of project to track the costs incurred ensuring that fees are the actual costs incurred. The Group's finance department will double check services fees to be received according to settlement certificate between Beijing Boqi Yangxi Branch and Yangxi Electric.

In addition, the Company will endeavor to carry out adequate supervision over the total transaction amount under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement against the proposed annual caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements under the Listing Rules will be promptly taken. Information relating to connected transactions of the Company (including quarterly transaction amounts and cumulative amounts) will be reviewed on a quarterly basis.

The independent non-executive Directors will continue to review each of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to ensure that it has been entered into on normal commercial terms or better, and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report.

If the transaction amount under each of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement reaches 80% of the relevant annual cap at any point of the year, the management would seek advice from the audit committee and the Board would consider the next steps, including the need to inform the Stock Exchange, to publish any announcement and to seek Independent Shareholders' approval for an increase in annual caps, if applicable.

(H) REASONS FOR AND BENEFITS OF THE CCTS

In recent years, 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 Guangdong Huaxia Yangxi power plant. Further, it is in the benefit of Yangxi Electric to retain only one desulfurization and denitrification service provider to No. 1-6 Yangxi Facilities for the purpose of minimizing

LETTER FROM THE BOARD

costs and eliminating the need to manage a few different service providers with different points of contact and who may use different quality management systems. Provision of desulfurization and denitrification services has been the Group's usual course of business, and Beijing Boqi has earned numerous highly-recognized awards in the flue gas treatment industry, and has already been familiarized with the operations and facilities of Yangxi Electric as a result of provision of O&M services for No. 1-6 Yangxi Facilities over the past years.

As disclosed in the Prospectus, pursuant to a cooperation framework agreement dated 20 May 2016 entered into between Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric, Beijing Boqi had agreed to acquire No. 1-4 Yangxi Facilities. Due to an unexpected delay in the release of the then mortgage of No. 1-4 Yangxi Facilities, such acquisitions were delayed and it was further agreed among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 28 August 2017 that such acquisitions shall not be proceeded with. The Directors subsequently understood that the mortgage of No. 1-2 Yangxi Facilities had been released and thus the Company has acquired No. 1-2 Yangxi Facilities, taking into account that the Acquisition can help the Group to better secure No. 1-2 Yangxi Facilities Operation Service, which is expected to be a stable income stream of the Group and that the Group has been familiarized with the operations of No. 1-2 Yangxi Facilities after being the sole desulfurization and denitrification service provider for years.

As of the Latest Practicable Date, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric were still in negotiation about the acquisition of No. 3-4 Yangxi Facilities by Beijing Boqi but have decided not to proceed with the acquisition of No. 5-6 Yangxi Facilities by Beijing Boqi.

By entering into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Beijing Boqi will leverage its relevant professional experience and strengths in the maintenance of the desulfurization and denitrification facilities, deliver its management experience and gain reasonable income and returns. The execution of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement is in line with the Group's overall strategy and business focus of engaging in the maintenance of the desulfurization and denitrification facilities and will enhance its 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.

The Directors (including the independent non-executive Directors, having considered the views of Gram Capital) are of the view that the consideration of the above factors in determining the Proposed Annual Caps for Service Fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028; (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028; (iii) No.

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5-6 Yangxi Facilities Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 August 2027; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 July 2027, and the Proposed Annual Caps for Ancillary Charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028; and (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028, respectively, are prudent, fair and reasonable and in the interests of the Shareholders as a whole.

Reliance on Yangxi Electric

The Directors are of the view that the transactions with Yangxi Electric will not lead to material reliance by the Group on Yangxi Electric, based on the following reasons:

- (i). Upon completion of the Acquisition which has been completed as of 5 February 2024, Beijing Boqi owns all the rights and interest (except for land) in No. 1-2 Yangxi Facilities, which means Beijing Boqi has a long-term and stable impact on the operating income of No. 1-2 Yangxi Facilities. The Acquisition has no significant impact on the Group's net asset value and debt ratio, and the operating capital expenditure has increased;
- (ii). The agreements signed between the counterparties and the Group have become more standardized, that is, transactions thereunder are conducted through fair bidding methods and rely on fair competition and independence; and
- (iii). As a leading independent flue gas treatment integrated services provider in the Chinese market and an integrated environmental protection company for independent flue gas treatment that is not controlled by any power group, the Company provides environmental protection services through various business models including environmental protection facility engineering, operation and maintenance and concession operations with cooperative business relationship with numerous service providers in power and non-power industry, including Yangxi Electric.

IV. GENERAL INFORMATION ON PARTIES

General Information of the Company, Beijing Boqi and Beijing Boqi Yangxi Branch

The Group is mainly engaged in providing comprehensive and professional environmental management services in Mainland China to large industrial and energy customers, including flue gas treatment, hazardous solid waste treatment and disposal, industrial water treatment, and dual carbon new energy⁺, etc.

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Beijing Boqi, a limited liability company established in the PRC, is an indirect wholly-owned subsidiary of the Company. Its main business includes providing services such as flue gas treatment, water treatment, hazardous solid waste treatment and disposal, as well as dual carbon new energy⁺ to large industrial and energy customers.

Beijing Boqi Yangxi Branch is a branch of Beijing Boqi, whose principal business includes technology development, technology transfer and technical services.

General Information of Guangdong Huaxia Electric and Yangxi Electric

Yangxi Electric, a limited liability company established in the PRC, is the major operating subsidiary of Guangdong Huaxia Electric, which mainly engaged in, among others, investment in electricity industry and has invested in a number of power plants in the PRC.

Guangdong Huaxia Electric is a limited liability company established in the PRC, which mainly engaged in, among others, investment in electricity industry. It has invested in a number of power plants in the PRC, with Yangxi Electric as its current major operating subsidiary. As of the Latest Practicable Date, Guangdong Huaxia Electric is owned and controlled by, through various intermediaries, Mr. Zhu Yihang (朱一航).

V. LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, 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). Mr. Zhu Yihang is a brother and thus, an associate of Mr. Zhu, who is a non-executive Director and substantial Shareholder. Mr. Zhu and his associate(s) held an aggregate of 152,170,529 Shares, representing approximately 17.80% of the total issued Shares, as of the Latest Practicable Date. Yangxi Electric and Guangdong Huaxia Electric are deemed to be connected persons of the Company under Chapter 14A of the Listing Rules. As such, No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of No. 7-8 Yangxi Facilities EPC Contract exceeds 5%, the transactions under No. 7-8 Yangxi Facilities EPC Contract are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, since (i) No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement; (ii) 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are entered into by the Group with the same party or parties who are connected with one another within a 12-month period, and (i) No. 1-2 Yangxi Facilities Operation Service; (ii)

LETTER FROM THE BOARD

No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are of a similar nature, the service fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement shall be aggregated, and the ancillary charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service and (ii) No. 3-4 Yangxi Facilities O&M Operation shall be aggregated.

As the highest applicable percentage ratio on an aggregated basis in respect of the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges exceeds 5%, the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. EGM

A notice of the EGM to be held at the conference room of the Company at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC on 17 September 2025 at 10:30 a.m. is set out on pages 111 to 112 of this circular. At the EGM, ordinary resolutions will be proposed and, if thought fit, passed in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

As Mr. Zhu is deemed to have a material interest in the transactions under No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Mr. Zhu and his associate(s), who held an aggregate of 152,170,529 Shares, representing approximately 17.80% of the total issued Shares, as of the Latest Practicable Date, shall abstain from voting on the relevant resolutions at the EGM.

Mr. Zhu, as a non-executive Director, was deemed to have a material interest in the transactions under No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, and had abstained from voting at the board meeting to approve (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, belief and having made all reasonable enquiries, as of the Latest Practicable Date, save for disclosed above, no Director or Shareholder was or will be required to abstain from voting on the Board or Shareholders resolutions, as the case may be, for (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.chinaboqi.com. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 10:30 a.m. on 15 September 2025 (Hong Kong time) (being not less than 48 hours before the time of the EGM) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published on the websites of the Company and of the Stock Exchange following the EGM.

In order to qualify for attending the EGM, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 11 September 2025 for registration of share transfer. For determining the entitlement to attend and vote at the EGM or any adjournment thereof, the record date is fixed on Wednesday, 17 September 2025. The transfer books and register of members of the Company will be closed from Friday, 12 September 2025 to Wednesday, 17 September 2025, both days inclusive, during which period no transfer of Shares can be registered.

VII. RECOMMENDATION

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan, has been formed to advise the Independent Shareholders in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors, having considered the views of Gram Capital) are of the view that (i) the terms of No. 7-8 Yangxi Facilities EPC Contract have been made on normal commercial terms and the transactions (including the proposed annual caps) contemplated thereunder are prudent, fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges are prudent, fair and reasonable and in the interests of the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges at the EGM.

VIII. ADDITIONAL INFORMATION

Your attention is also drawn to the general information of the Group as set out in Appendix I to this circular.

Yours faithfully,

For and on behalf of the Board of Directors

Zeng Zhijun

Chairman, Executive Director and Chief Executive Officer



China Boqi Environmental (Holding) Co., Ltd.

中國博奇環保(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

28 August 2025

To the Independent Shareholders

Dear Sir or Madam,

**(I) CONTINUING CONNECTED TRANSACTION IN RELATION TO
NO. 7-8 YANGXI FACILITIES EPC CONTRACT; AND
(II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE;
(B) NO. 3-4 YANGXI FACILITIES O&M OPERATION;
(C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT;
AND
(D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND
DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT**

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders whether (i) the terms of No. 7-8 Yangxi Facilities EPC Contract have been made on normal commercial terms and the transactions (including the proposed annual caps) contemplated thereunder are prudent, fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges are prudent, fair and reasonable and in the interests of the Shareholders as a whole, taking into account the recommendations of Gram Capital, being the independent financial advisers appointed to advise us and the Independent Shareholders in the abovementioned context.

Your attention is drawn to the “Letter from the Board” and the “Letter from Gram Capital” in the circular of the Company dated 28 August 2025 (the “**Circular**”), which contain, among other things, information and the advice from Gram Capital (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taking into account the reasons for and benefits of No. 7-8 Yangxi Facilities EPC Contract and the transactions (including the proposed annual caps) contemplated under No. 7-8 Yangxi Facilities EPC Contract and the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges as set out in the “Letter from Gram Capital” on pages 60 to 104 of this Circular, we consider that (i) the terms of No. 7-8 Yangxi Facilities EPC Contract have been made on normal commercial terms and the transactions (including the proposed annual caps) contemplated thereunder are prudent, fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges are prudent, fair and reasonable and in the interests of the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of all the ordinary resolutions as set out in the notice of the EGM to be convened and held on 17 September 2025 and thereby approve (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

Yours faithfully,
For and on behalf of
Independent Board Committee

Dr. Xie Guozhong

Mr. Li Tao

Prof. Yu Wayne W.

Ms. Zhang Fan

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



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

28 August 2025

*To: The independent board committee and the independent shareholders
of China Boqi Environmental (Holding) Co., Ltd.*

Dear Sir/Madam,

- (I) CONTINUING CONNECTED TRANSACTION IN RELATION TO
NO. 7-8 YANGXI FACILITIES EPC CONTRACT;
(II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE;
(B) NO. 3-4 YANGXI FACILITIES O&M OPERATION;
(C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT;
AND
(D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND
DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions contemplated under No. 7-8 Yangxi Facilities EPC Contract (the “**EPC Transaction**”); (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges under the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement (as supplemental by the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement) and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement (together with the EPC Transaction, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 August 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

LETTER FROM GRAM CAPITAL

The Board resolved that Beijing Boqi (an indirect wholly-owned subsidiary of the Company) shall enter into No. 7-8 Yangxi Facilities EPC Contract with Yangxi Electric upon the approval by the Independent Shareholders at the EGM regarding the EPC of No. 7-8 Yangxi Facilities with the consideration of RMB129.58 million (excluding tax).

Furthermore, since the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges will expire on 31 December 2025, the Company proposed to set the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for the Ancillary Charges.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in respect of (i) the discloseable and connected transaction and continuing connected transactions of the Company, details of which are set out in the Company's circular dated 12 December 2023 (the "**Previous CCTs Circular**"); and (ii) the conditional voluntary cash offer by the Company for the buy-back of Shares and the application for whitewash waiver, details of which are set out in the Company's offer document dated 29 November 2024. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company during the past two years immediately preceding the Latest Practicable Date; and that there was no arrangement whereby Gram Capital has or will receive fees or benefits from the Company or the Directors, chief executives or substantial Shareholder or any of their respective associates apart from normal professional fees payable in relation to the current appointment as the Independent Financial Adviser. Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

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BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Guangdong Huaxia Electric, Yangxi Electric or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Information on the Group

With reference to the Board Letter, the Group is mainly engaged in providing comprehensive and professional environmental management services in Mainland China to large industrial and energy customers, including flue gas treatment, hazardous solid waste treatment and disposal, industrial water treatment, and dual-carbon new energy⁺, etc. Beijing Boqi is a limited liability company established in the PRC and is an indirect wholly-owned subsidiary of the Company; while Beijing Boqi Yangxi Branch is a branch of Beijing Boqi.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2024 as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report"):

	For the year ended 31 December 2024 ("FY2024") RMB'000	For the year ended 31 December 2023 ("FY2023") RMB'000	Year-on- year change %
Revenue	2,150,937	2,138,199	0.60
– Flue gas treatment business	1,734,649	1,703,875	1.81
EPC	669,827	641,393	4.43
O&M	486,566	548,002	(11.21)
Investment projects	558,503	489,618	14.07
Others	19,753	24,862	(20.55)
– Water treatment business	203,589	317,583	(35.89)
– Hazardous and solid waste treatment/disposal business	53,243	48,965	8.74
– Dual-carbon new energy ⁺ business	159,456	67,776	135.27
Gross profit	434,725	436,100	(0.32)
Profit for the year	239,933	237,344	1.09

As depicted in the above table, the Group's revenue was approximately RMB2,151 million for FY2024, representing a slight increase of approximately 0.60% as compared to that for FY2023. With reference to the 2024 Annual Report, such increase was mainly due to the active market development which resulted in a slight increase in business scale during FY2024. Flue gas treatment business was the Group's largest revenue contributor and its revenue accounted for approximately 79.69% and 80.65% of the Group's revenue for FY2023 and FY2024 respectively. Revenue from flue gas treatment business increased by approximately

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1.81% from approximately RMB1,704 million for FY2023 to approximately RMB1,735 million for FY2024. With reference to the 2024 Annual Report, such increase was mainly due to (i) increase in revenue from EPC business as a result of the active market expansion; and (ii) increase in revenue from investment projects as a result of the addition of self-owned asset operation business, partially offset by the decrease in revenue from O&M business as a result of changes in the operating model of certain projects.

Revenue from the Group's water treatment business decreased by approximately 35.89% from approximately RMB318 million for FY2023 to approximately RMB204 million for FY2024. With reference to the 2024 Annual Report and as advised by the Directors, such decrease was mainly due to the fact that the EPC projects of the Group's water treatment business were basically completed during FY2024 and the decrease in number of newly added water treatment EPC projects, resulting in a decrease in revenue.

Revenue from dual-carbon new energy⁺ business increased by approximately 135.27% from approximately RMB68 million for FY2023 to approximately RMB159 million for FY2024. With reference to the 2024 Annual Report, such increase was mainly due to the active market expansion which resulted in an increase in business scale.

Notwithstanding the aforesaid increase in revenue, the Group's gross profit decreased by approximately 0.32% from approximately RMB436 million for FY2023 to approximately RMB435 million for FY2024; while the Group's overall gross profit margin decreased by 0.18 percentage points from approximately 20.39% for FY2023 to approximately 20.21% for FY2024. With reference to the 2024 Annual Report, the decrease in the Group's overall gross profit margin was mainly due to the higher proportion of revenue from the Group's flue gas treatment EPC business, which had a lower gross profit margin.

As a result of the combined effect from the slight decrease in gross profit and changes in other income and expense items, the Group's profit for FY2024 increased by approximately 1.09% as compared to that for FY2023.

Information on Guangdong Huaxia Electric and Yangxi Electric

With reference to the Board Letter:

- Guangdong Huaxia Electric is a limited liability company established in the PRC, which mainly engaged in, among others, investment in electricity industry. It has invested in a number of power plants in the PRC, with Yangxi Electric as its current major operating subsidiary.
- Yangxi Electric is a limited liability company established in the PRC and is the major operating subsidiary of Guangdong Huaxia Electric, which mainly in, among others, investment in electricity industry and has invested in a number of power plants in the PRC.

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As at the Latest Practicable Date, Guangdong Huaxia Electric is owned and controlled by, through various intermediaries, Mr. Zhu Yihang, who is a brother and thus an associate of Mr. Zhu (a non-executive Director and substantial Shareholder). Therefore, both Guangdong Huaxia Electric and Yangxi Electric are connected persons of the Company.

Reasons for and benefits of the Transactions

With reference to the Board Letter, in recent years, coal consumption and pollution emission standards have been significantly tightened. In order to comply with relevant stringent standards, reduce operational risk and minimize the costs that will be incurred, Yangxi Electric has engaged Beijing Boqi, a recognised leading comprehensive flue gas governance service provider, as the sole desulfurization and denitrification service provider for its Guangdong Huaxia Yangxi power plant. In addition, it is in the interest of Yangxi Electric to retain only one desulfurization and denitrification service provider at Yangxi facilities to minimize costs and avoid having to manage several different service providers with different points of contact and possibly using different quality management systems.

Pursuant to the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement (as supplemented by the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement) and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, the services to be provided thereunder has a term until the latest of 31 December 2039, and the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges proposed by the Company was set so as to continue the provision of the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance for the three years ending 31 December 2028.

As noted from the 2024 Annual Report, the Group's business of flue gas treatment services is the Group's largest revenue contributor and is mainly conducted through various business models, including EPC, O&M and investment projects operated under build-operate-transfer, build-own-operate and self-owned assets model. Provision of desulfurization and denitrification services has been the Group's usual course of business and 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 as a result of provision of O&M services for Yangxi Facilities over the past years.

The entering into No. 7-8 Yangxi Facilities EPC Contract is also in line with the Group's overall strategy and business focus in the field of desulfurization and denitrification, and will further enhance its market position in Guangdong Province. It is in the interests of the Group as a whole to strengthen the competitive advantage of the Group's core business.

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In light of the above, we concur with the Directors that the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

1. EPC TRANSACTION

Principal terms of the EPC Transaction

Summarised below are the major terms of the EPC Transaction, details of which are set out under the section headed “NO. 7-8 YANGXI FACILITIES EPC CONTRACT” of the Board Letter.

Parties

Yangxi Electric, as the principal; and

Beijing Boqi, as the contractor

Scope of service

Facilities supply and installation and commissioning of No. 7-8 Yangxi Facilities, including but not limited to facilities design, facilities selection, facilities procurement and supply, facilities design, installation and commissioning, on-site services, technical guidance, and other work scope within No. 7-8 Yangxi Facilities EPC Contract, as well as defect repair and warranty during the warranty period caused by reasons and responsibilities of Beijing Boqi.

Term

The total term requirement from Yangxi Electric: before the coldstate test of each boiler, the corresponding desulfurization units should be capable for flue gas supply, and the desulfurization units should complete the 168-hour trial operation simultaneously with the corresponding No. 7-8 Yangxi Facilities.

The above term is based on preliminary plan and for reference only. Beijing Boqi should, on the premise of meeting the construction period goals of Yangxi Electric, formulate its own construction period goals, quality goals, cost goals and other goals.

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Consideration and basis

The consideration for the EPC Transaction was approximately RMB129.58 million (excluding tax, and approximately RMB143.66 million with tax included), which was primarily a result of the tender submitted by and awarded to the Group. With reference to the Board Letter, the consideration for the EPC Transaction was determined by the Beijing Boqi based on:

- (i) the price of equipment and materials which was determined with reference to the historical purchase price of similar equipment and materials in other projects of the Group, and the reasonable estimated gross profit was considered on this basis;
- (ii) the construction and installation fee which was calculated based on the approximate fixed fee standard and the ancillary fee standard in the electric power industry; and
- (iii) other preliminary cost (including insurance, design fee, technical service and other fees) which was calculated based on the approximate fixed fee standard in the electric power industry, and the reasonable estimated gross profit was considered on this basis.

For our due diligence purpose, we obtained the relevant tender invitation by Yangxi Electric and the tender submitted by Beijing Boqi and the tender award document issued by Yangxi Electric for the EPC Transaction. We noted that

- (i) the tender invitation had set certain requirements on the suitability of the tenderers, including their professional, technical and operational capabilities, experience and financial status;
- (ii) the tender evaluation organisation assesses each of the tender based on technical aspects (such as the tenderer's qualification, reasonableness of the proposal for solution delivery, experience in EPC projects and resources available to undertake the project) and commercial aspects (such as the tenderer's credit status, financial status and the reasonableness of the quotation);
- (iii) the tender evaluation was conducted in two stages; in the first stage of tender evaluation, the tender evaluation committee first assessed the technical and commercial aspects of the tenders on a no-price quote basis and tenderers who failed the first stage would not enter the second stage, in the second stage of tender evaluation, the tender evaluation committee assessed the remaining tenders based on their price quotes and the No. 7-8 Yangxi Facilities EPC Contract was awarded to the tender with the lowest price quote within reasonable price range; and
- (iv) the consideration for the EPC Transaction (including tax) is consistent to that as set out in the tender and tender award documents.

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Based on the aforesaid, we do not doubt the reasonableness of the tender invitation and evaluation process for determining the consideration for the EPC Transaction.

To further assess the fairness and reasonableness of the consideration for the EPC Transaction, we obtained from the Company (i) a detailed budget of the EPC Transaction, showing the cost of each stage of the EPC Transaction with the calculation of the estimated gross profit margin; and (ii) a list of the Group's 7 newly added EPC projects during FY2024 for the construction of desulfurization and/or denitrification facilities (which we consider to be comparable to the No. 7-8 Yangxi Facilities given that they are also desulfurization facilities to be constructed ("**Comparable EPC Projects**")), showing their respective estimated gross profit margin. The Comparable EPC Projects represented all of the new EPC projects secured by the Group during the latest financial year which we consider to be sufficient and representative to assess the fairness and reasonableness of the consideration for the EPC Transaction. We noted that the gross profit margin of the EPC Transaction is within the gross profit margin range of the Comparable EPC Projects.

Based on the above, we are of the view that the consideration for the EPC Transaction is fair and reasonable.

Payment terms

With reference to the Board Letter, Yangxi Electric shall pay the consideration for the EPC Transaction to Beijing Boqi in the following manner:

(i) Advance payment

After the signing and effectiveness of No. 7-8 Yangxi Facilities EPC Contract, within 45 days after Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric, Yangxi Electric shall pay 10% of the total consideration (i.e. RMB14,366,000 with tax included) to Beijing Boqi as an advance payment:

- (a) the irrevocable performance guarantee issued by Beijing Boqi in favor of Yangxi Electric in the amount of 10% of the total consideration; and
- (b) financial receipt for 10% of the total consideration.

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(ii) Payment for installation and commissioning

Within 45 days after Beijing Boqi completes the construction nodes as required and confirmed by Yangxi Electric, and submits the application form for the node progress payment for approval by Yangxi Electric, Yangxi Electric shall pay the node progress payment to Beijing Boqi. The specific payment nodes are as follows:

No.	Payment nodes	No. 7 Yangxi Facilities		No. 8 Yangxi Facilities	
		Percentage of the total consideration	Payment amount (RMB)	Percentage of the total consideration	Payment amount (RMB)
1	Desulfurization absorption tower foundation zero meters above	3%	4,309,800	3%	4,309,800
2	Desulfurization absorption tower top	5%	7,183,000	5%	7,183,000
3	Desulfurization complex building foundation zero meters above	5%	7,183,000		
4	Desulfurization complex building to the top	8%	11,492,800		
5	Anti-corrosion of desulfurization absorption tower completed	7.5%	10,774,500	7.5%	10,774,500
6	Desulfurization 10KV power reception	6%	8,619,600		
7	Unit flushing completed	10%	14,366,000	10%	14,366,000
	Total	44.5%	63,928,700	25.5%	36,633,300

(iii) Payment of preliminary acceptance payment

Yangxi Electric shall pay 5% of the total consideration (i.e. RMB7,183,000 with tax included) to Beijing Boqi within 45 days after Beijing Boqi completes all delivery obligations under No. 7-8 Yangxi Facilities EPC Contract and completes 168-hour commissioning of a single unit of facilities and Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric:

- (a) the preliminary acceptance certificate for the contract equipment price of the unit of facilities signed by the authorized representative of Yangxi Electric; and
- (b) list of random/mandatory spare parts (if any) and special tools to be handed over.

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(iv) Payment of quality guarantee deposit

10% of the total consideration shall be regarded as the quality guarantee deposit for the facilities (the quality guarantee deposit for a single unit of facilities is 5% of the total consideration). The quality guarantee period and the starting date shall be subject to the provisions of the technical agreement signed by Yangxi Electric and Beijing Boqi.

Upon the expiration of the quality guarantee period of a single unit of facilities, within 45 days after Yangxi Electric issues the final acceptance certificate and Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric, Yangxi Electric shall pay 5% of the total consideration (i.e. RMB7,183,000 with tax included) to Beijing Boqi:

- (a) the final acceptance certificate of the unit of facilities signed by the authorized representative of Yangxi Electric.

To assess the fairness and reasonableness of the payment terms for the EPC Transaction, we obtained from the Company the relevant EPC contracts of the Comparable EPC Projects. Except for one of the Comparable EPC Projects which the payment starts after completion of the EPC project, we noted that:

- (i) 3 out of 6 of the remaining Comparable EPC Projects included an advance payment of 10% of the total consideration;
- (ii) the payment for installing and commissioning of the relevant desulfurization and/or denitrification facilities would be based on the delivery or construction stage of the projects and all or majority of the consideration would be paid upon completion of the 168-hour commissioning of the relevant desulfurization and/or denitrification facilities; and
- (iii) 4 out of 6 of the remaining Comparable EPC Projects included a quality guarantee deposit of 10% of the total consideration for the facilities and it shall be released upon the expiry of the relevant quality guarantee period.

We consider the payment terms of the EPC Transaction are generally consistent with those of the Comparable EPC Projects.

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Proposed annual caps

Set out below are the proposed annual caps for the EPC Transaction:

	For the period from the date of EGM to 31 December 2025 ("2025 Period") RMB million	For the year ending 31 December 2026 ("FY2026") RMB million	For the year ending 31 December 2027 ("FY2027") RMB million	For the period from 1 January 2028 to the 32nd month from the date of EGM ("2028 Period") RMB million
Proposed annual caps	4.95	44.55	88.91	4.12

With reference to the Board Letter, the proposed annual caps for the EPC Transaction were determined with reference to (i) the anticipated income from the EPC Transaction (approximately RMB4.50 million for the 2025 Period, approximately RMB40.50 million for FY2026, approximately RMB80.83 million for FY2027 and approximately RMB3.74 million for 2028 Period); (ii) the expected project schedule of the No. 7-8 Yangxi Facilities, as the revenue to be generated thereunder shall be recognised by stages in accordance with such schedule; and (iii) a buffer of 10% for unexpected circumstances during the projects of No. 7-8 Yangxi Facilities.

To assess the fairness and reasonableness of the proposed annual caps for the EPC Transaction, we obtained from the Company the preliminary construction schedule of the No. 7-8 Yangxi Facilities and the corresponding revenue to be recognised for each stage of completion. We understood from the Directors that the preliminary construction schedule was prepared by the project team of Beijing Boqi (comprised of the project manager, business manager, design manager and procurement manager) and was approved by the project management centre and the general management department of Beijing Boqi. We noted that the estimated revenue to be recognised for each construction stage are consistent to the expected completion date as set out in the preliminary construction schedule. As such, we consider the estimated revenue to be derived from the EPC Transaction for the 2025 Period, FY2026, FY2027 and the 2028 Period to be reasonable.

To assess the fairness and reasonableness of the buffer of 10%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 27 March 2025 to 26 June 2025 (being the date of the announcement in relation to the Transactions). We consider the review period adopted would allow us to identify sufficient and exhaustive samples to assess the recent practice adopted by other Hong Kong listed companies in determining their annual caps for continuing connected transactions and thus they are fair and representative. We noted that among the 19 circulars published by

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other Hong Kong listed companies that incorporated buffer in their annual caps for continuing connected transactions, 8 of which had incorporated a buffer of 10% (being the plurality among the samples identified during the aforesaid review period) to cater for unexpected circumstance arises or additional demand for the transactions. Therefore, we consider that incorporation of buffer of 10% in annual caps is not uncommon among Hong Kong listed companies and therefore it is justifiable.

Given that the proposed annual caps for the EPC Transaction were formulated based on the consideration and the estimated progress for the 2025 Period, FY2026, FY2027 and the 2028 Period, together with a buffer of 10% for each period to cater for unexpected circumstances during the progression of the EPC Transaction, we are of the view that the proposed annual caps for the EPC Transaction are fair and reasonable.

Shareholders should note that the proposed annual caps for the EPC Transaction are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to the 32nd months from the date of EGM, and they do not represent forecasts of revenue or income to be generated from the EPC Transaction. Consequently, we express no opinion as to how closely the actual revenue or income to be generated from the EPC Transaction will correspond with the proposed annual caps.

Having reviewed and considered the terms of the EPC Transaction (including the proposed annual caps), we are of the view that the terms of the EPC Transaction are on normal commercial terms and are fair and reasonable.

2. PROPOSED ANNUAL CAPS FOR SERVICE FEES AND THE PROPOSED ANNUAL CAPS FOR ANCILLARY CHARGES

Principal terms of the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation; No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service

Set out below are the principal terms of the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation; No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance, details of which are set out in the Board Letter. The aforesaid transactions shall be conducted according to the terms of the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, the No. 5-6 Yangxi Facilities Maintenance Service Agreement (as supplemented by the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement) and the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement (as the case may be) and there is no new agreement entered into by the parties in relation to the aforesaid transactions.

2.1 No. 1-2 Yangxi Facilities Operation Service

Parties

Beijing Boqi (as operation service provider)

Guangdong Huaxia Electric (as site owner)

Yangxi Electric (as site owner)

Scope of No. 1-2 Yangxi Facilities Operation Service

Beijing Boqi shall be responsible for provision of operation service by utilizing No. 1-2 Yangxi Facilities in relation to desulfurization and denitrification to ensure that Yangxi Electric's production and operation can meet the national standards and relevant requirements. The scope of No. 1-2 Yangxi Facilities Operation Service shall include (among others):

- (i) determining the inlet parameter ranges of sulfur dioxide in the desulfurization system and nitrogen oxides in the denitrification system according to applicable laws, regulations and standards, project design conditions and current actual operating conditions;
- (ii) system operation, daily maintenance, overhaul service, gypsum and desulfurization and denitrification waste treatment and other related work;
- (iii) coordinating with relevant government departments and be responsible for relevant costs;
- (iv) ensuring the safe and stable operation of No. 1-2 Yangxi Facilities and meeting the operation needs of the relevant power plant;
- (v) subject to compliance with the inlet parameter requirements, ensuring the relevant pollutant discharge indicators comply with the applicable laws, regulations and standards, and ensuring the total amount of pollutant discharge is not higher than the project indicators as issued by the relevant PRC government department; and
- (vi) subject to compliance with the inlet parameter requirements, carrying out relevant upgrades and technical transformation to meet the latest requirements of applicable laws, regulations and standards.

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Term for No. 1-2 Yangxi Facilities Operation Service

No. 1-2 Yangxi Facilities Operation Service shall have a term until 31 December 2039.

We had assessed and confirmed that the duration of the No. 1-2 Yangxi Facilities Operation Service, which is longer than three years, is required and it is normal business practice for arrangements of this type to be of such duration. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.1 No. 1-2 Yangxi Facilities Operation Service – Term for No. 1-2 Yangxi Facilities Operation Service” of the Previous CCTs Circular. We consider our assessment on the term of the No. 1-2 Yangxi Facilities Operation Service to be sufficient, representative, and remained valid on the basis that:

- (i) the remaining term of the No. 1-2 Yangxi Facilities Operation Service is in line with the remaining useful life of the No. 1-2 Yangxi Facilities; and
- (ii) the nature of the No. 1-2 Yangxi Facilities Operation Service is the same as the provision of O&M services and it is normal business practice for the No. 1-2 Yangxi Facilities Operation Service to have a term of more than three years based on the agreements in relation to the provision of O&M services entered into by Beijing Boqi with independent third parties.

Service fees and ancillary charges

The service fees in respect of No. 1-2 Yangxi Facilities Operation Service are calculated in the following manners:

- (i) Desulfurization and denitrification subsidies

The service fees in respect of desulfurization and denitrification subsidies shall be calculated by multiplying on-grid electricity generation (kWh) to be generated by No. 1-2 Yangxi power generating units by RMB0.025 per kWh, being the rate as mutually agreed by the parties after considering the “benchmark desulfurization and denitrification subsidies”. Such rate shall be adjusted according to changes in “benchmark desulfurization and denitrification subsidies”. According to Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and the Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908) (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號)), the currently applicable “benchmark desulfurization subsidies” is RMB0.015 per kWh (tax included) and the currently applicable “benchmark denitrification subsidies” is RMB0.01 per kWh (tax included).

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In addition, the service fees in respect of desulfurization and denitrification subsidies shall be subject to a “floating” adjustment ranging from 10% premium to 10% discount (i.e. $\pm 10\%$) with reference to Yangxi Electric’s annual profits based on its audited annual financial statements in the following manner:

- (a) if Yangxi Electric records net profits for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment ranging from 10% premium to 10% discount based on the annual settlement in respect of desulfurization and denitrification subsidies; and
 - (b) if Yangxi Electric records net loss for or its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount only of up to 10% based on the annual settlement in respect of desulfurization and denitrification subsidies.
- (ii) “Ultra-low emission” operation service fees

The service fees in respect of “ultra-low emission” operation shall be equivalent to the actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi plus a premium of 10%, as well as plus value-added tax based on the invoice issued by Beijing Boqi.

The actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi comprises fixed cost and variable cost. Fixed cost shall include labor cost (including management cost), spare parts cost and auxiliary material cost which is adjusted according to the Producer Price Index (PPI) of Guangdong Province the year before. The annual labour cost shall be RMB150,500 and the annual spare parts cost shall be RMB250,000. Variable cost shall include electricity charges and expenses in relation to limestone, liquid ammonia, gypsum and catalyst and is calculated by multiplying the consumption per unit of on-grid electricity generation by the applicable unit price based on the unified bidding and then further multiplied by actual on-grid electricity generation.

(iii) Ancillary charges

Ancillary charges refer to relevant operation charges, which include water, electricity, vapor, gas, environmental protection penalty (including confiscated environmental electricity price), operation assessment and pollution tax and office and staff quarter charges and other relevant operational charges, which shall be calculated by multiplying the actual consumption by the applicable unit price stipulated in No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement.

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We had assessed the fairness and reasonableness of pricing basis of the service fees and ancillary charges in respect of No. 1-2 Yangxi Facilities Operation Service, and we were of the view that such pricing bases were fair and reasonable. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.1 No. 1-2 Yangxi Facilities Operation Service – Service fees – Our analyses” of the Previous CCTs Circular. For the avoidance of doubt, the pricing basis of the service fees and ancillary charges in respect of No. 1-2 Yangxi Facilities Operation Service had not been changed since the entering into of the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement. We consider our assessment on the pricing bases of the No. 1-2 Yangxi Facilities Operation Service to be sufficient, representative, and remained valid on the basis that:

- (i) the service fees in respect of desulfurization and denitrification subsidies of RMB0.025 per kWh was determined with reference to the “benchmark desulfurization and denitrification subsidies” and it shall be adjusted accordingly to changes in the “benchmark desulfurization and denitrification subsidies”;
- (ii) the service fees in respect of desulfurization and denitrification subsidies of RMB0.025 per kWh remained consistent to the latest applicable “benchmark desulfurization and denitrification subsidies” according to the Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and the Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908) (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號));
- (iii) the same pricing bases was adopted by another comparable listed company (being the only company that had conducted connected transactions of similar nature with its connected persons based on our selection criteria as detailed below, which we considered to be fair and representative) when providing desulfurization and denitrification services to its connected persons, based on our independent research on companies listed on the Stock Exchange that principally engaged in flue gas treatment business in the PRC and derived more than 50% of revenue from such business; and
- (iv) based on the gross profit margin of similar projects provided by the Group to independent third parties, the overall gross profit margin of the No. 1-2 Yangxi Facilities (taking into account both the desulfurization and denitrification services and the ultra-low emission operation services) were not lower than those provided by the Group to independent third parties.

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2.2 No. 3-4 Yangxi Facilities O&M Operation

Parties

Beijing Boqi (as operation service provider)

Guangdong Huaxia Electric (as site owner)

Yangxi Electric (as site owner)

Scope of No. 3-4 Yangxi Facilities O&M Operation

Beijing Boqi shall be responsible for the O&M operation in relation to the desulfurization and denitrification systems of the No. 3-4 Yangxi Facilities.

Term

Pursuant to the 2023 Supplemental Agreement, the parties agreed (i) to terminate the O&M operation of No. 1-2 Yangxi Facilities from the completion date of the Acquisition which has been completed as of 5 February 2024; and (ii) to extend the No. 3-4 Yangxi Facilities O&M Operation to 31 December 2028.

We had assessed and confirm that the duration of the No. 3-4 Yangxi Facilities O&M Operation, which is longer than three years, is required and it is normal business practice for arrangements of this type to be of such duration. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.2 2023 Supplemental Agreement – Revised term – Our analyses” of the Previous CCTs Circular. We consider our assessment on the term of the No. 3-4 Yangxi Facilities O&M Service to be sufficient, representative, and remained valid on the basis that:

- (i) it is normal business practice for the No. 3-4 Yangxi Facilities O&M Service to have a term of more than three years based on the agreements in relation to the provision of O&M services entered into by Beijing Boqi with independent third parties;
- (ii) the Group has been recording gross profit from the provision of No. 3-4 Yangxi Facilities O&M Service and it is expected to continue to record gross profit from the provision of such service; and
- (iii) the mortgage of the No. 3-4 Yangxi Facilities is expected to be released by December 2028 based on our enquiry into the Directors; the term of the No. 3-4 Yangxi Facilities O&M Service is in line with the expected release date of the mortgage of No. 3-4 Yangxi Facilities to facilitate the acquisition of the No. 3-4 Yangxi Facilities by Beijing Boqi.

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Service fees and ancillary charges

(i) Desulfurization and denitrification subsidies

The service fees in respect of desulfurization and denitrification subsidies shall be calculated by multiplying on-grid electricity generation (kWh) to be generated by No. 1-4 Yangxi power generating units (as the case may be) by RMB0.02143 per kWh, being the fixed rate as mutually agreed by the parties after considering the “benchmark desulfurization and denitrification subsidies”. The service fees in respect of desulfurization and denitrification subsidies shall be subject to a “floating” adjustment ranging from 10% premium to 10% discount (i.e. $\pm 10\%$) with reference to Yangxi Electric’s annual profits based on its audited annual financial statements in the following manner:

- (a) if Yangxi Electric records net profits for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment ranging from 10% premium to 10% discount based on the annual settlement in respect of desulfurization and denitrification subsidies; and
- (b) if Yangxi Electric records net loss for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount only of up to 10% based on the annual settlement in respect of desulfurization and denitrification subsidies.

(ii) “Ultra-low emission” operation service fees

The service fees in respect of “ultra-low emission” operation shall be equivalent to the actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi plus a premium of 10%, as well as plus value-added tax based on the invoice issued by Beijing Boqi.

The actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi comprises fixed cost and variable cost. Fixed cost shall include labor cost (including management cost), spare parts cost, and auxiliary material cost and shall consider an increase which is adjusted according to the PPI of Guangdong Province the year before. The annual labour cost shall be RMB150,500 and the annual spare parts cost and auxiliary material cost shall be RMB250,000 for No. 3-4 Yangxi Facilities after completion of the Acquisition. Variable cost shall include electricity charges and expenses in relation to limestone, liquid ammonia, gypsum and catalyst and is calculated by multiplying the consumption per unit of on-grid electricity generation by the applicable unit price based on the unified bidding and then further multiplied by actual on-grid electricity generation.

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(iii) Ancillary charges

Ancillary charges are paid by Beijing Boqi to Yangxi Electric, based on the actual operation costs incurred in the daily operation of the O&M services, such as water, electricity, vapor and pollution tax fees and other relevant operational charges

We had assessed the fairness and reasonableness of pricing basis of the service fees and ancillary charges in respect of No. 3-4 Yangxi Facilities O&M Operation, and we were of the view that such pricing bases were fair and reasonable. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.2 2023 Supplemental Agreement– Revised service fees – Our analysis” of the Previous CCTs Circular. For the avoidance of doubt, the pricing basis of the service fees and ancillary charges in respect of No. 3-4 Yangxi Facilities O&M Operation had not been changed since the entering into of the 2023 Supplemental Agreement. We consider our assessment on the pricing bases of the No. 3-4 Yangxi Facilities O&M Operation to be sufficient, representative, and remained valid on the basis that:

- (i) the service fee rate in respect of desulfurization and denitrification subsidies of RMB0.02143 per kWh was determined with reference to the “benchmark desulfurization and denitrification subsidies” and the costs associated with the construction of the No. 3-4 Yangxi Facilities. As the No. 3-4 Yangxi Facilities are not owned by Beijing Boqi, the service fee rate in respect of desulfurization and denitrification subsidies for the No. 3-4 Yangxi Facilities is deemed to be lower than that for the No.1-2 Yangxi Facilities that are owned by Beijing Boqi after taking into account the construction costs and associated cost of capital invested by Yangxi Electric (and in contrast, Beijing Boqi completed the Acquisition (i.e. the acquisition of No. 1-2 Yangxi Facilities (except for land)) on 5 February 2024);
- (ii) the service fees in respect of desulfurization and denitrification subsidies of RMB0.02143 per kWh remained generally in line with the latest applicable “benchmark desulfurization and denitrification subsidies” according to the Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and the Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908) (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號);
- (iii) the same pricing bases was adopted by another comparable listed company (which we considered to be fair and representative as detailed under the sub-section headed “2.1 No. 1-2 Yangxi Facilities Operation

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Service – Service fees and ancillary charges” above) when providing desulfurization and denitrification services to its connected persons based on our independent research; and

- (iv) based on the gross profit margin of similar projects provided by the Group to independent third parties, the overall gross profit margin of the No. 3-4 Yangxi Facilities (taking into account both the desulfurization and denitrification services and the ultra-low emission operation services) were not lower than those provided by the Group to independent third parties.

2.3 No. 5-6 Yangxi Facilities Maintenance Service

Parties

Beijing Boqi Yangxi Branch (as contractor and service provider)

Yangxi Electric (as contract-issuing party)

Subject matter and scope of service

Provision of maintenance services in respect of No. 5-6 Yangxi Facilities by Beijing Boqi Yangxi Branch.

The scope of maintenance services includes but not limited to:

- (1) Maintenance facilities: all maintenance facilities of desulfurization, denitrification and public systems (including ammonia area); desulfurization wastewater treatment system and its supporting equipment; desulfurization wastewater drug handling/preparation, etc.; glass flake and spray layer repair (single repair $\leq 50\text{m}^2$);
- (2) Electrical facilities: all on-site power boxes, distribution boxes, maintenance power boxes and other primary and secondary equipment; outsourced work for low-voltage motors of 37kW and below (including coil replacement, rotor dynamic balance, shaft spraying repair, etc.); 10kV system panel (responsible for the primary electrical part only), 380V system panel, DC system panel and battery, UPS panel, dry-type transformer, local transfer motor equipment, local maintenance box, ventilation, cables, and cable fire protection facilities, cable tray, cable trench and grounding system; lightning protection facilities;

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- (3) Thermal control facilities: all thermal control facilities for desulfurization, denitrification, and public systems (including ammonia area); all thermal control facilities for desulfurization and wastewater treatment system and its supporting equipment systems; desulfurization and denitrification CEMS system equipment;
- (4) Comprehensive facilities: fire-fighting water system and fire-fighting underground pipe network system; scaffolding erection and disassembly, thermal insulation disassembly and assembly, sporadic paint anticorrosion; daily inspection and maintenance of hoisting machinery, elevator equipment and shafts, and cooperation with the special equipment inspection department to complete the annual inspection; air conditioning and lighting maintenance;
- (5) Sanitation and cleaning: sanitation and cleaning of all equipment (including steel frames, pipes, etc.); sanitation and cleaning within the area (excluding ground cleaning and greening, watering and weeding); and
- (6) Other work within the scope of service of Beijing Boqi Yangxi Branch.

Term

From 1 January 2022 to 31 August 2027.

We had assessed and confirm that the duration of the No. 5-6 Yangxi Facilities Maintenance Service, which is longer than three years, is required and it is normal business practice for arrangements of this type to be of such duration. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.3 No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement – Term” of the Previous CCTs Circular. We consider our assessment on the term of the No. 5-6 Yangxi Facilities Maintenance Service to be sufficient, representative, and remained valid on the basis that the required duration of maintenance services was approximately six years based on the tender document for the No. 5-6 Yangxi Facilities Maintenance Service, the term of the No. 5-6 Yangxi Facilities Maintenance Service is consistent to that as stated in the tender document.

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Service fee

Subject to adjustment that may be made in accordance with No. 5-6 Yangxi Facilities Maintenance Service Agreement, the total revised service fee is RMB35,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement which was increased from the total original service fee of RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement, details of which are set out below:

No.	Item	Unit price (RMB)	Amount	Total fee to be received during the entire term (RMB)
1	Routine maintenance fee for No. 5-6 Yangxi Facilities (<i>Note 1</i>)	455,864 per month	68 months	30,998,752
2	C-level inspection and maintenance for each of No. 5-6 Yangxi Facilities (<i>Note 2</i>)	192,124.80 each (subject to actual costs incurred)	10 times	1,921,248 (subject to actual costs incurred)
3	Adjustment provision for labor costs for routine maintenance for No. 5-6 Yangxi Facilities in the third stage between 1 January 2025 and 31 August 2027 (<i>Note 3</i>)	Nil	Nil	1,000,000 (subject to adjustment mechanism stated below)
4	Projects of which the individual project price exceeds RMB50,000 but less than RMB100,000 (<i>Note 4</i>)	Nil	Nil	2,000,000
Total				35,920,000

Notes:

- The routine maintenance fee primarily includes labor costs, ancillary facilities and equipment fee, management fee, consumable material costs, etc. The labor costs are determined with reference to the prevailing market price of labor unit of Yangjiang City and the estimated number of on-site workers based on the Group's other existing projects for provision of similar maintenance services.

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2. The C-level inspection and maintenance is determined with reference to the terms of other existing maintenance service agreements in relation to the provision of services to power plants for the maintenance of desulfurization and denitrification facilities that have been entered into by the Group.
3. The amount of adjustment provision for labor costs for routine maintenance is determined based on requirements set out in the tendering document, which is applicable to all service providers participated in the tendering process.
4. Pursuant to No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement, the total service fee was revised so as to cover (i) the projects of which the individual project price does not exceed RMB50,000, which was already included in the original total service fee of RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (ii) the projects of which the individual project price exceeds RMB50,000 but less than RMB100,000 which was additionally added stated above.

We had assessed the fairness and reasonableness of pricing basis of the service fees in respect of No. 5-6 Yangxi Facilities Maintenance Service, and we were of the view that such pricing basis was fair and reasonable. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.3 No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement – Revised service fee” of the Previous CCTs Circular. For the avoidance of doubt, the pricing basis of the service fees in respect of No. 5-6 Yangxi Facilities Maintenance Service had not been changed since the entering into of the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement. We consider our assessment on the pricing basis of the No. 5-6 Yangxi Facilities Maintenance Service to be sufficient, representative, and remained valid on the basis that:

- (i) the routine maintenance fee for No. 5-6 Yangxi Facilities and the C-level inspection and maintenance for each of No. 5-6 Yangxi Facilities were charged in accordance to the No. 5-6 Yangxi Facilities Maintenance Service Agreement, being the results of the tender process undergone by Beijing Boqi at the material time before Beijing Boqi was awarded the tender; and
- (ii) the adjustment provision for labour costs for routine maintenance for No. 5-6 Yangxi Facilities in the third stage between 1 January 2025 and 31 August 2027 was determined based on requirements set out in the tendering document for No. 5-6 Yangxi Facilities Maintenance Service and being the results of the tender process undergone by Beijing Boqi at the material time before Beijing Boqi was awarded the tender and would take into account the inflation for labour costs during the later stage of the term of the No. 5-6 Yangxi Facilities Maintenance Service.

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2.4 No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service

Parties

Beijing Boqi Yangxi Branch (as contractor and service provider)

Yangxi Electric (as contract-issuing party)

Subject matter

Provision of operation and maintenance services of coal conveying system and dock system (including pipe gallery, coal containing wastewater treatment system, all equipment at the dock, excluding air conditioning, firefighting, and lifting equipment within the bid section) in respect of No. 1-6 Yangxi Facilities by Beijing Boqi.

Term

The duration of maintenance services is 50 months. From the date of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement (i.e. 29 December 2023) to 31 July 2027, comprising (i) first stage up to 31 May 2024; (ii) second stage from 1 June 2024 to 31 May 2025; and (iii) third stage from 1 June 2025 to 31 July 2027.

We had assessed and confirm that the duration of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service, which is longer than three years, is required and it is normal business practice for arrangements of this type to be of such duration. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.4 No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement – Term” of the Previous CCTs Circular. We consider our assessment on the term of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service to be sufficient, representative, and remained valid on the basis that the required duration for the maintenance services was 50 months based on the tender document for the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service, the term of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service is consistent to that as stated in the tender document.

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Service fee

The total service fee is approximately RMB84.9 million, details of which are set out below:

No.	Item	Unit price (RMB)	Amount	Total fee to be received during the entire term (RMB)
1	Routine maintenance fee for No. 1-6 Yangxi Facilities (Note 1)	1,479,241.04 per month	50 months	73,962,052.00
2	Separate priced items			
2.1	Maintenance fee for delayed operation of No. 5-6 facilities (Note 2)	155,119.86 per month	40 months	6,204,794.40 (subject to actual costs incurred)
2.2	Additional projects fee (Note 3)	Nil	Nil	2,000,000.00 (subject to actual costs incurred)
3	Adjustment of labor costs for routine maintenance in the third stage between 1 June 2025 and 31 July 2027 (Note 4)	Nil	Nil	2,749,905.00 (subject to adjustment mechanism stated below)
	Total			84,916,751.40

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Notes:

1. The maintenance fee primarily includes labor costs, material costs, construction machinery cost, management fee, etc.
2. The maintenance fee for delayed operation of No. 5-6 facilities includes BC1A/B/C belt conveyor extension section and dock extension section, No. 4 ship unloader and No. 5 ship unloader.
3. For the individual project price exceeding RMB50,000 but less than RMB100,000, the total price of the additional projects fee is estimated to be RMB2,000,000 subject to the actual costs incurred.
4. The amount of adjustment provision for labor costs for maintenance is determined based on requirements set out in the tendering document, which is applicable to all service providers participated in the tendering process.

We had assessed the fairness and reasonableness of pricing basis of the service fees in respect of the No. 1-6 Coal Conveying System and Dock System Maintenance, and we were of the view that such pricing basis was fair and reasonable. Details of our assessment are set out under the sub-section headed “Letter from Gram Capital – B. The CCTs – B.4 No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement – Service fee” of the Previous CCTs Circular. For the avoidance of doubt, the pricing basis of the service fees in respect of No. 1-6 Coal Conveying System and Dock System Maintenance had not been changed since the entering into of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement. We consider our assessment on the pricing basis of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service to be sufficient, representative, and remained valid on the basis that:

- (i) the routine maintenance fee for No. 1-6 Yangxi Facilities and the maintenance fee for delayed operation of No. 5-6 facilities were charged in accordance to the price quoted by Beijing Boqi as set out in the relevant tender documents, being the results of the tender process undergone by Beijing Boqi at the material time before Beijing Boqi was awarded the tender; and
- (ii) the adjustment provision for labor costs for routine maintenance in the third stage between 1 June 2025 and 31 July 2027 was determined based on requirements set out in the tendering document for No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service; and being the results of the tender process undergone by Beijing Boqi at the material time before Beijing Boqi was awarded the tender and it would take into account the inflation for labour costs during the later stage of the term of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service.

2.5 Internal control measures

The Company has adopted certain internal control measures to ensure the service fees and ancillary charges for each of the operation service and O&M projects are determined in accordance to the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, details of these internal control measures are set out under the section headed “(G) INTERNAL CONTROL MEASURES” of the Board Letter. We noted that:

- (i) in respect of the desulfurization and denitrification subsidies for No. 1-2 Yangxi Facilities Operation Service and No. 3-4 Yangxi Facilities O&M Operation, the Operation Center of the Company will conduct weekly checks on any update on the policies on the government prescribed subsidies for any adjustment in the public domain and monthly checks on the “benchmark on-grid tariff” promulgated by the competent government authorities to ensure the service fees in respect of desulfurization and denitrification subsidies for the No. 1-4 Yangxi Facilities shall be adjusted accordingly;
- (ii) in respect of the “ultra-low emission” operation for No. 1-2 Yangxi Facilities Operation Service and No. 3-4 Yangxi Facilities O&M Operation, Beijing Boqi established a project team to check and calculate the “ultra-low emission” operation fees and an inspector from Beijing Boqi will enter the site of project to track the actual costs and expenses incurred;
- (iii) in respect of the ancillary charges for No. 1-2 Yangxi Facilities Operation Service and No. 3-4 Yangxi Facilities O&M Operation, (a) Beijing Boqi has assigned technical personnel on the project site to check the on-site meter tracking the energy consumption; and (b) Beijing Boqi and Yangxi Electric shall both confirm the relevant monthly statement prior to the payment of ancillary charges to ensure that the ancillary charges are the actual operation costs incurred;
- (iv) in respect of the C-level inspection and maintenance, maintenance fee for delayed operation and additional projects fee for No. 5-6 Yangxi Facilities Maintenance Services, Beijing Boqi established a project team to check and calculate the costs to be incurred and an inspector from Beijing Boqi will enter the site of project to track the costs incurred to ensure that the relevant fees are the actual costs incurred; and

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- (v) the Company will carry out regular checks over the total transaction amount under the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Services and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance, and if the transaction amount thereunder reaches 80% of the relevant annual caps at any point of the year, the management would seek advice from the audit committee of the Company and the Board would consider the next steps, including the need to inform the Stock Exchange, to publish any announcement and to seek Independent Shareholders' approval for an increase in annual caps, if applicable.

We consider the effective implementation would help to ensure fair pricing of each of the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Services and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance according to the relevant pricing policies and would safeguard the interests of the Company and the Shareholders as a whole.

For our due diligence purpose, we obtained from the Company:

- all of the monthly statements in respect of the service fees received by the Group under the No. 1-2 Yangxi Facilities Operation Service and the No. 3-4 Yangxi Facilities O&M Operation for the two years ended 31 December 2024;
- all of the monthly statements in respect of the service fees received by the Group under the No. 5-6 Yangxi Facilities Maintenance Service for the two years ended 31 December 2024; and
- all of the monthly statements in respect of the service fees received by the Group under the No. 1-6 Coal Conveying System and Dock System Maintenance for the two years ended 31 December 2024.

Given that the samples obtained covered every month for the latest two financial years of the Group, we consider the samples obtained are sufficient and representative for us to assess the effectiveness of the internal control measures.

We noted that the service fees received by the Group were calculated in accordance to the service fee rates of the No. 1-2 Yangxi Facilities Operation Service and the No.3-4 Yangxi Facilities O&M Operation as set out in the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

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With reference to the 2024 Annual Report, the Company's independent non-executive Directors have reviewed the continuing connected transactions (including, among others, the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance) and confirmed that these transactions have been generated during the Group's ordinary and usual course of business on normal commercial terms (or more favorable than normal commercial terms available for the Group), and that the terms of such transactions are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

In addition, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on its work, Ernst & Young have provided the Board with a letter confirming that, with respect to the continuing connected transactions (including, among others, the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance) (i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

In light of our works as mentioned above, we consider the internal control measures in place are effective to ensure that the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance are conducted in accordance to the pricing basis for the relevant transactions as set out in the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

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2.6 *Proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service*

Set out below are the (i) historical transaction amount and the existing annual caps of the No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2025; and (ii) proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028:

	For the year ended 31 December 2023 <i>RMB million</i>	For the year ended 31 December 2024 <i>RMB million</i>	For the year ending 31 December 2025 <i>RMB million</i>
Historical transaction amount	98.8	103.0	46.3
(service fees)			<i>(Note)</i>
Existing annual caps (service fees)	114.4	152.9	152.9
Utilisation rate	86.36%	67.36%	30.28%
			<i>(Note)</i>
	For the year ending 31 December 2026 <i>RMB million</i>	For the year ending 31 December 2027 <i>RMB million</i>	For the year ending 31 December 2028 <i>RMB million</i>
Proposed annual caps (service fee)	153.2	153.2	153.2

Note: The figure is for the five months ended 31 May 2025 (“5M2025”).

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Bases for the determination of proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service are set out under the section headed “(F) PROPOSED ANNUAL CAPS” of the Board Letter.

As depicted in the above table, the historical transaction amounts of No. 1-2 Yangxi Facilities Operation Service were approximately RMB98.8 million and RMB103.0 million for FY2023 and FY2024 respectively, representing utilization rates of approximately 86.36% and 67.36% respectively; while the historical transaction amount of No. 1-2 Yangxi Facilities Operation Service was approximately RMB46.3 million for 5M2025, accounted for approximately 30.28% of the existing annual cap for the year ending 31 December 2025.

For our due diligence purpose, we obtained a calculation for the proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028 (the “**No. 1-2 Yangxi Facilities Operation Calculation**”). Based on the No. 1-2 Yangxi Facilities Operation Calculation, we noted that the proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service were formulated based on (i) the estimated annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating units; (ii) the service fee of RMB0.025 per kWh (tax included) for the desulfurization and denitrification subsidies; (iii) the estimated service fees in respect of “ultra-low emission” operation of No. 1-2 Yangxi Facilities Operation Service; and (iv) a buffer of 10% to cater for the maximum “floating” premium under the pricing basis of the No. 1-2 Yangxi Facilities Operation Service.

Set out below are the on-grid electricity generation (million kWh) by No. 1-2 Yangxi power generating units for each of the seven years ended 31 December 2024, as extracted from the Board Letter:

	2018	2019	2020	2021	2022	2023	2024
On-grid electricity							
generation (<i>million kWh</i>)	6,252	4,999	3,374	4,764	3,245	4,527	3,722

We noted from the No. 1-2 Yangxi Facilities Operation Calculation that the annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating unit were estimated to be approximately 6,252 million kWh for each of the three years ending 31 December 2028, being the highest annual on-grid electricity generated in the past seven years. We understood from the Directors that the decrease in on-grid electricity generation of the No. 1-2 Yangxi power generating units in recent years was primarily a result of the decrease in utilisation hours requested by the relevant state-owned grid company, for various reasons such as the maintenance of the No. 1-2 Yangxi power generating units, disruption of extreme weather and the promotion of renewable energy; whereas the use of the highest annual on-grid electricity generated in determining the proposed annual caps was to cater for the possible highest electricity generation for the three years ending 31 December 2028. As further noted from the Board Letter, the Directors expected that in the next three years, due to the surge in electricity demand driven by economic recovery, the difficulty of new energy to consistently fill the gap in energy demand in the short term, and the increased demand for energy security, the on-grid electricity generated by thermal power plants is expected to return to the peak level of previous years.

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To assess the fairness and reasonableness of adopting the highest annual on-grid electricity generated of No. 1-2 Yangxi power generating units to formulate the proposed annual caps, we searched for the national power consumption and generation in the PRC for the five years ended 31 December 2024 and the relevant statistics are set out below:

	2020	2021	2022	2023	2024
National power consumption in					
the PRC (billion kWh)	7,551.0	8,312.8	8,637.2	9,224.1	9,852.1
<i>Year-on-year change</i>		10.09%	3.90%	6.80%	6.81%
<i>Compound annual growth rate</i>					6.88%
National power generation in					
the PRC (billion kWh)	7,779.1	8,534.3	8,848.7	9,456.4	10,086.9
<i>Year-on-year change</i>		9.71%	3.68%	6.87%	6.67%
<i>Compound annual growth rate</i>					6.71%
Thermal power generation in					
the PRC (billion kWh)	5,330.3	5,805.9	5,888.8	6,265.7	6,374.3
<i>Year-on-year change</i>		8.92%	1.43%	6.40%	1.73%
<i>Compound annual growth rate</i>					4.57%

As shown in the above table, the national power consumption and national power generation in the PRC increased for each of the year 2021, 2022, 2023 and 2024 and reached approximately 9,852.1 billion kWh and 10,086.9 billion kWh for 2024, respectively. Thermal power represented the largest power contributor of the PRC and accounted for over 60% of the national power generation in the PRC. Thermal power generation in the PRC also increased for each of the year 2021, 2022, 2023 and 2024 and reached approximately 6,374.3 billion kWh for 2024, representing a compound annual growth rate of 4.57% as compared to that for the year 2020.

Despite that the on-grid electricity generation of the No. 1-2 Yangxi power generating units in recent years were affected by the decrease in utilisation hours requested by the relevant state-owned grid company and such condition may or may not persist over the next three years, given (i) the continuous growth in national power consumption for the five years ended 31 December 2024, which indicated the possible growth in national power consumption; (ii) that thermal power generation remained as the largest energy contributor of the PRC and it is the most reliable source of energy as it would not be affected by weather conditions such as the daylight time and windspeed; and (iii) the peak on-grid electricity generation of No. 1-2 Yangxi power generating units in the past years is still within its designated power generation capacity based on our understanding from the Directors, we do not doubt the reasonableness of the Directors' expectation on the return of the on-grid electricity generation of thermal power plants to peak level and the adoption of the highest annual on-grid electricity generation of No. 1-2 Yangxi power generating units to formulate the proposed annual caps for each of the three years ending 31 December 2028.

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As aforementioned, the service fee of RMB0.025 per kWh (tax included) is adopted as base price and adjusted for the applicable value-added tax, which is consistent as that set out in the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement. Accordingly, we consider the service fee rate of No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028 to be reasonable.

We noted from the No. 1-2 Yangxi Facilities Operation Service Calculation that the expected service fees in respect of “ultra-low emission” operation service fees for the three years ending 31 December 2028 were formulated with reference to the proportion of the electricity to be generated by No. 1-2 Yangxi power generating units among No. 1-4 Yangxi power generating units.

As noted from the Board Letter, a buffer of 10% was included to cater for the maximum “floating” premium under the pricing basis of the No. 1-2 Yangxi Facilities Operation Service, which we consider to be reasonable as such percentage was consistent as that set out in the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement.

In light of the above, we are of the view that the proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028 are fair and reasonable.

2.7 Proposed annual caps of the No. 3-4 Yangxi Facilities O&M Operation

Set out below are the (i) historical transaction amount and the existing annual caps of the No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2025; and (ii) proposed annual caps of the No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028:

	For the year ended 31 December 2023 RMB million	For the year ended 31 December 2024 RMB million	For the year ending 31 December 2025 RMB million
Historical transaction amount	131.0	109.4	32.7 (Note)
Existing annual caps	134.6	142.3	142.3
Utilisation rate	97.33%	76.88%	22.98% (Note)

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	For the year ending 31 December 2026 <i>RMB million</i>	For the year ending 31 December 2027 <i>RMB million</i>	For the year ending 31 December 2028 <i>RMB million</i>
Proposed annual caps	148.4	148.4	148.4

Note: The figure is for 5M2025.

Bases for the determination of proposed annual caps of the No. 3-4 Yangxi Facilities Operation Service are set out under the section headed “(F) PROPOSED ANNUAL CAPS” of the Board Letter.

As depicted in the above table, the historical transaction amounts of No. 3-4 Yangxi Facilities O&M Operation were approximately RMB131.0 million and RMB109.4 million for FY2023 and FY2024 respectively, representing utilization rates of approximately 97.33% and 76.88% respectively; while the historical transaction amount of No. 3-4 Yangxi Facilities O&M Operation was approximately RMB32.7 million for 5M2025, accounted for approximately 22.98% of the existing annual cap for the year ending 31 December 2025.

For our due diligence purpose, we obtained a calculation for the proposed annual caps of the No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028 (the “**No. 3-4 Yangxi Facilities O&M Calculation**”). Based on the No. 3-4 Yangxi Facilities O&M Calculation, we noted that the proposed annual caps of the No. 3-4 Yangxi Facilities O&M Service were formulated based on (i) the estimated annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating units; (ii) the service fee of RMB0.02143 per kWh (tax included) for the desulfurization and denitrification subsidies; (iii) the estimated service fees in respect of “ultra-low emission” operation of No. 3-4 Yangxi Facilities O&M Operation; and (iv) a buffer of 10% to provide the Company with flexibility to cater for any unexpected increase in transaction amounts.

Set out below are the on-grid electricity generation (million kWh) by No. 3-4 Yangxi power generating units for each of the seven years ended 31 December 2024, as extracted from the Board Letter:

	2018	2019	2020	2021	2022	2023	2024
On-grid electricity generation (<i>million kWh</i>)	5,818	4,674	3,986	4,584	4,282	6,057	5,047

We noted from the No. 3-4 Yangxi Facilities O&M Calculation that the annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating unit were estimated to be approximately 6,057 million kWh for each of the three years ending 31 December 2028, being the highest annual on-grid electricity generated in the past seven years. We understood

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from the Directors that the fluctuation in on-grid electricity generation of the No. 3-4 Yangxi power generating units in recent years was primarily a result of the changes in utilisation hours requested by the relevant state-owned grid company, for various reasons such as the maintenance of the No. 1-2 Yangxi power generating units, disruption of extreme weather and the promotion of renewable energy; whereas the use of the highest annual on-grid electricity generated was to cater for the possible highest electricity generation for the three years ending 31 December 2028. As further noted from the Board Letter, the Directors expected that in the next three years, due to the surge in electricity demand driven by economic recovery, the difficulty of new energy to consistently fill the gap in energy demand in the short term, and the increased demand for energy security, the on-grid electricity generated by thermal power plants is expected to return to the peak level of previous years.

Despite that the on-grid electricity generation of the No. 3-4 Yangxi power generating units in recent years were affected by the decrease in utilisation hours requested by the relevant state-owned grid company and such condition may or may not persist over the next three years, based on our analysis on the national power consumption, national power generation in the PRC and thermal power generation in the PRC as detailed under the sub-section headed “2.7 Proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service” above and given (i) the continuous growth in national power consumption for the five years ended 31 December 2024, which indicated the possible growth in national power consumption; (ii) that thermal power generation remained as the largest energy contributor of the PRC and it is the most reliable source of energy as it would not be affected by weather conditions such as the daylight time and windspeed; and (iii) the peak on-grid electricity generation of No. 1-2 Yangxi power generating units in the past years is still within its designated power generation capacity based on our understanding from the Directors, we do not doubt the reasonableness of the Directors’ expectation on the return of the on-grid electricity generation of thermal power plants to peak level and the adoption of the highest annual on-grid electricity generated of No. 3-4 Yangxi power generating units to formulate the proposed annual caps for each of the three years ending 31 December 2028.

As aforementioned, the service fee of RMB0.02143 per kWh (tax included) is adopted as base price and adjusted for the applicable value-added tax, which is consistent as that set out in the 2023 Supplemental Agreement. Accordingly, we consider the service fee rate of No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028 to be reasonable.

We noted from the No. 3-4 Yangxi Facilities O&M Calculation that the expected service fees in respect of “ultra-low emission” operation service fees for the three years ending 31 December 2028 were formulated with reference to the proportion of the electricity to be generated by No. 3-4 Yangxi power generating units among No. 1-4 Yangxi power generating units.

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As noted from the Board Letter, a buffer of 10% was to provide the Company with flexibility to cater for any unexpected increase in transaction amounts. Based on our independent research on circulars regarding continuing connected transactions published by other Hong Kong listed companies as detailed under the section headed “1. EPC TRANSACTION” above, we noted that the incorporation of buffer of 10% in the proposed annual caps is not uncommon. Therefore, we consider the buffer of 10% to be justifiable.

In light of the above, we are of the view that the proposed annual caps of the No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028 are fair and reasonable.

2.8 Proposed annual caps of the No. 5-6 Yangxi Facilities Maintenance Service

Set out below are the (i) historical transaction amount and the existing annual caps of the No. 5-6 Yangxi Facilities Maintenance Service for the three years ending 31 December 2025; and (ii) proposed annual caps of the No. 5-6 Yangxi Facilities Maintenance Service for the year ending 31 December 2026 and the eight months ending 31 August 2027:

	For the year ended 31 December 2023 <i>RMB million</i>	For the year ended 31 December 2024 <i>RMB million</i>	For the year ending 31 December 2025 <i>RMB million</i>
Historical transaction amount	5.5	5.3	2.5 (Note)
Existing annual caps	6.1	7.2	7.2
Utilisation rate	90.16%	73.61%	34.72% (Note)
	For the year ending 31 December 2026 <i>RMB million</i>	For the eight months ending 31 August 2027 <i>RMB million</i>	
Proposed annual caps		7.2	5.1

Note: The figure is for 5M2025.

Bases for the determination of proposed annual caps of the No. 5-6 Yangxi Facilities Maintenance Service are set out under the section headed “(F) PROPOSED ANNUAL CAPS” of the Board Letter.

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As depicted in the above table, the historical transaction amounts of No. 5-6 Yangxi Facilities Maintenance Service were approximately RMB5.5 million and RMB5.3 million for FY2023 and FY2024 respectively, representing utilization rates of approximately 90.16% and 73.61% respectively; while the historical transaction amount of No. 5-6 Yangxi Facilities Maintenance Service was approximately RMB2.5 million for 5M2025, accounted for approximately 34.72% of the existing annual cap for the year ending 31 December 2025.

For our due diligence purpose, we obtained a calculation for the proposed annual caps of the No. 5-6 Yangxi Facilities Maintenance Service for the year ending 31 December 2026 and the eight months ending 31 August 2027 (the “**No. 5-6 Yangxi Facilities Maintenance Calculation**”). Based on the No. 5-6 Yangxi Facilities Maintenance Calculation, we noted that the proposed annual caps of the No. 5-6 Yangxi Facilities Maintenance Service were formulated based on (i) the monthly routine maintenance fee of RMB455,864 (tax included, approximately RMB430,060 on a tax excluded basis) and the remaining term of the No. 5-6 Yangxi Facilities Maintenance Service; (ii) the expected frequency of C-level inspection and maintenance and the maintenance fee of RMB192,124.80 (tax included, approximately RMB181,250 on a tax excluded basis) for each inspection; (iii) the estimated fees for projects which the individual project price exceeds RMB50,000 but less than RMB100,000; and (iv) a buffer of 10% to provide the Company with flexibility to cater for any unexpected increase in transaction amount.

The aforesaid fee rates adopted in formulating the proposed annual caps of the No. 5-6 Yangxi Facilities Maintenance Service are consistent to those as set out in the No. 5-6 Yangxi Facilities Maintenance Service Agreement.

In respect of the frequency of C-level inspection and maintenance for the No. 5-6 Yangxi Facilities, pursuant to the No. 5-6 Yangxi Facilities Maintenance Service Agreement, the Group would provide 10 rounds of inspection and maintenance services during the term of the agreement and is entitled to fee of RMB192,124.80 for each round of inspection and maintenance service. As the term of the No. 5-6 Yangxi Facilities Maintenance Service Agreement is from 1 January 2022 to 31 August 2027, it is expected that the Group would provide one to two rounds of C-level inspection and maintenance services for the No. 5-6 Yangxi power generating unit for each year. We further enquired into the Directors regarding the frequency of C-level inspection and maintenance services for the No. 5-6 Yangxi Facilities for FY2023, FY2024 and for the six months ended 30 June 2025 and we understood that Beijing Boqi had conducted two rounds, one round and two rounds of C-level inspection and maintenance services for FY2023, FY2024 and the six months ended 30 June 2025, respectively.

Accordingly, the Directors estimated that the Group would provide two rounds of inspection and maintenance service for each year during the term of the No. 5-6 Yangxi Facilities Maintenance Service Agreement (with estimated transaction amount of approximately RMB0.4 million per annum) for the purpose of formulating the annual cap and we consider such assumption to be justifiable.

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In respect of additional service fees for the projects of which the individual project price exceeds RMB50,000 but less than RMB100,000, we noted from the No. 5-6 Yangxi Facilities Maintenance Calculation that the additional service fees to be generated shall be RMB1 million for the year ending 31 December 2026 and RMB0.8 million for the eight months ending 31 August 2027. We enquired into the Directors and we understood that these projects primarily consist of certain small-value services primarily included to cater for ad-hoc services within the scope of services of Beijing Boqi Yangxi Branch which Beijing Boqi Yangxi Branch may from time to time provide, thus it was supplemented by the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement.

As noted from the Board Letter, a buffer of 10% was to provide the Company with flexibility to cater for any unexpected increase in transaction amounts. Based on our independent research on circulars regarding continuing connected transactions published by other Hong Kong listed companies as detailed under the section headed “1. EPC TRANSACTION” above, we noted that the incorporation of buffer of 10% in the proposed annual caps is not uncommon. Therefore, we consider the buffer of 10% to be justifiable.

In light of the above, we are of the view that the proposed annual caps of the No. 5-6 Yangxi Facilities Maintenance Service for the year ending 31 December 2026 and the eight months ending 31 August 2027 are fair and reasonable.

2.9 Proposed annual caps of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance

Set out below are the (i) historical transaction amount and the existing annual caps of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance for the three years ending 31 December 2025; and (ii) proposed annual caps of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance for the year ending 31 December 2026 and the seven months ending 31 July 2027:

	For the year ended 31 December 2023 RMB million	For the year ended 31 December 2024 RMB million	For the year ending 31 December 2025 RMB million
Historical transaction amount	7.0	17.1	7.0 (Note)
Existing annual caps	7.7	20.1	20.1
Utilisation rate	90.91%	85.07%	34.83% (Note)

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	For the year ending 31 December 2026 <i>RMB million</i>	For the seven months ending 31 July 2027 <i>RMB million</i>
Proposed annual caps	22.2	16.8

Note: The figure is for 5M2025.

Bases for the determination of proposed annual caps of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance are set out under the section headed “(F) PROPOSED ANNUAL CAPS” of the Board Letter.

As depicted in the above table, the historical transaction amounts of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance were approximately RMB7.0 million and RMB17.1 million for FY2023 and FY2024 respectively, representing utilization rates of approximately 90.91% and 85.07% respectively; while the historical transaction amount of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance was approximately RMB7.0 million for 5M2025, accounted for approximately 34.83% of the existing annual cap for the year ending 31 December 2025.

For our due diligence purpose, we obtained a calculation for the proposed annual caps of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance for the year ending 31 December 2026 and the seven months ending 31 July 2027 (the “**No. 1-6 Yangxi Facilities Coal Conveying and Dock Maintenance Calculation**”). Based on the No. 1-6 Yangxi Facilities Coal Conveying and Dock Maintenance Calculation, we noted that the proposed annual caps of the No. 1-6 Yangxi Facilities Coal Conveying and Dock Maintenance were formulated based on (i) the fixed monthly routine maintenance fee of RMB1,479,241.04 and the remaining term of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance; (ii) the fixed monthly maintenance fee for delayed operation of No. 5-6 Yangxi power generating units of RMB155,119.86 and the remaining term of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance; (iii) the estimated additional project fees; and (iv) a buffer of 10% to provide the Company with flexibility to cater for any unexpected increase in transaction amounts.

Based on our review of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, we noted that the aforesaid fee rates adopted in formulating the proposed annual caps of the No. 1-6 Yangxi Facilities Coal Conveying and Dock Maintenance are consistent to those as set out in the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

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In respect of the estimated additional projects fees, for the individual project price exceeds RMB50,000 but less than RMB100,000, the total price of the additional projects fee is estimated to be RMB2,000,000, subject to the actual costs incurred. We noted from the No. 1-6 Yangxi Facilities Coal Conveying and Dock Maintenance Calculation that the additional projects fees are estimated to be approximately RMB1.7 million for the year ending 31 December 2026 and RMB1.4 million for the seven months ending 31 July 2027. We enquired into the Directors and we understood that these projects primarily consist of certain small-value services primarily included to cater for ad-hoc services within the scope of services of Beijing Boqi Yangxi Branch which Beijing Boqi Yangxi Branch may from time to time provide.

As noted from the Board Letter, a buffer of 10% was to provide the Company with flexibility to cater for any unexpected increase in transaction amounts. Based on our independent research on circulars regarding continuing connected transactions published by other Hong Kong listed companies as detailed under the section headed “1. EPC TRANSACTION” above, we noted that the incorporation of buffer of 10% in the proposed annual caps is not uncommon. Therefore, we consider the buffer of 10% to be justifiable.

In light of the above, we are of the view that the proposed annual caps of the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance for the year ending 31 December 2026 and the seven months ending 31 July 2027 are fair and reasonable.

2.10 Proposed Annual Caps for Ancillary Charges

Set out below are the (i) historical transaction amount and the existing annual caps of the ancillary charges for the No. 1-4 Yangxi power generating units for the three years ending 31 December 2025; and (ii) Proposed Annual Caps for Ancillary Charges for the three years ending 31 December 2028:

	For the year ended 31 December 2023 <i>RMB million</i>	For the year ended 31 December 2024 <i>RMB million</i>	For the year ending 31 December 2025 <i>RMB million</i>
Historical transaction amount	71.9	71.9	25.6 (Note)
Existing annual caps	81.5	90.6	90.6
Utilisation rate	88.22%	79.36%	28.26% (Note)

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	For the year ending 31 December 2026 <i>RMB million</i>	For the year ending 31 December 2027 <i>RMB million</i>	For the year ending 31 December 2028 <i>RMB million</i>
Proposed annual caps	99.2	99.2	99.2

Note: The figure is for 5M2025.

Bases for the determination of Proposed Annual Caps for Ancillary Charges are set out under the section headed “(F) PROPOSED ANNUAL CAPS” of the Board Letter.

As depicted in the above table, the historical transaction amounts of ancillary charges for the No. 1-4 Yangxi Facilities were approximately RMB71.9 million for both FY2023 and FY2024, representing utilization rates of approximately 88.22% and 79.36% respectively; while the historical transaction amount of ancillary charges for the No. 1-4 Yangxi Facilities was approximately RMB25.6 million for 5M2025, accounted for approximately 28.26% of the Existing Annual Cap for Ancillary Charges for the year ending 31 December 2025.

For our due diligence purpose, we obtained a calculation for the Proposed Annual Caps for Ancillary Charges for the three years ending 31 December 2028 (the “**Ancillary Charges Calculation**”). Based on the Ancillary Charges Calculation, we noted that the Proposed Annual Caps for Ancillary Charges were calculated based on (i) the estimated electricity, water, steam and compressed gas consumption and their relevant unit rates; and (ii) a buffer of 10% to provide the Company with flexibility to cater for any unexpected increase in transaction amounts.

According to the Ancillary Charges Calculation, ancillary charges for No. 1-4 Yangxi Facilities primarily consist of the estimated electricity costs (accounted for approximately 89% of the total ancillary charges) for each of the three years ending 31 December 2028. We understood from the Company that the estimated electricity consumption was estimated with reference to the estimated on-grid power generation to be generated by the No. 1-4 Yangxi power generating units for each of the three years ending 31 December 2028 (detailed under the sub-sections headed “2.6 Proposed annual caps of the No. 1-2 Yangxi Facilities Operation Service” and “2.7 Proposed annual caps of the No. 3-4 Yangxi Facilities O&M Operation” above); while the estimated electricity unit price was determined with reference to the prevailing electricity price.

In respect of the estimated electricity consumption, we obtained from the Company the historical electricity consumption of No. 1-4 Yangxi Facilities for the two years ended 31 December 2024. We noted that the historical electricity consumption of No. 1-4 Yangxi Facilities accounted for approximately 2% of the on-grid electricity generated by No. 1-4 Yangxi power generating units; based on the estimated on-grid power to be generated by the No. 1-4 Yangxi power generating units as detailed under the sub-sections headed “2.6 Proposed

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annual caps of the No. 1-2 Yangxi Facilities Operation Service” and “2.7 Proposed annual caps of the No. 3-4 Yangxi Facilities O&M Operation” above, the estimated electricity consumption also accounted for approximately 2% of the on-grid electricity generated by No. 1-4 Yangxi power generating units. As such, we are of the view that the estimated electricity consumption to be fair and reasonable.

In respect of the estimated electricity unit price, we compared the historical electricity costs for the No. 1-4 Yangxi Facilities to the historical electricity consumption for No. 1-4 Yangxi Facilities to derive the historical average electricity unit price for the two years ended 31 December 2024. We noted that the estimated electricity unit price adopted in formulating the estimated electricity costs is also at similar level as those of the historical data. We also obtained from the Company the latest prevailing electricity unit price (including tax) applicable to No. 1-4 Yangxi Facilities and we noted that such unit price, after excluding relevant tax, is the same as that applied in formulating the estimated electricity costs. As such, we are of the view that the estimated electricity unit price adopted in formulating the estimated electricity costs to be fair and reasonable.

We understood from the Company that a buffer of 10% was to provide the Company with flexibility to cater for any unexpected increase in transaction amounts. Based on our independent research on circulars regarding continuing connected transactions published by other Hong Kong listed companies as detailed under the section headed “1. EPC TRANSACTION” above, we noted that the incorporation of buffer of 10% in the proposed annual caps is not uncommon. Therefore, we consider the buffer of 10% to be justifiable.

Given the aforesaid and that the ancillary charges for No. 1-4 Yangxi Facilities primarily consist of electricity costs, we are of the view that the Proposed Annual Caps for Ancillary Charges for the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028 (as the case may be), and they do not represent forecasts of income to be generated or cost to be incurred from the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation; No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance. Consequently, we express no opinion as to how closely the actual income to be generated or cost to be incurred from the each of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation; No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance will correspond with the respective annual caps.

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2.11 Our conclusion on the terms of the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance (including the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges)

Having considered our analyses above, we are of the view that the terms of the No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance (including the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges) are on normal and commercial terms and are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Transactions must be restricted the annual caps; (ii) the terms of the Transactions (including the relevant annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the total amounts of the Transactions are anticipated to exceed the annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions (together with the relevant annual caps) and hence the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
David Kwan
Director

Note: Mr. David Kwan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 15 years of experience in investment banking industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C1 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Mr. Zeng Zhijun	Interest of a controlled corporation (<i>Note 1</i>)	278,636,331 (Long Position)	32.59%
Ms. Qian Xiaoning	Beneficial owner (<i>Note 2</i>)	4,111,000 (Long Position)	0.48%
Mr. Zhu Weihang	Interest of a controlled corporation (<i>Note 3</i>)	152,170,529 (Long Position)	17.80%

* The percentage has been calculated based on 854,862,679 Shares in issue as at the Latest Practicable Date.

Notes:

- (1) Mr. Zeng holds the entire issued share capital of Best Dawn Limited (“**Best Dawn**”) and 47.2% of interests in Asia Environment Investment Limited (“**Asia Environment**”). Therefore, Mr. Zeng is deemed to be interested in the Shares held by Best Dawn and Asia Environment under the SFO.
- (2) Ms. Qian is entitled to receive up to (i) 1,576,000 Shares pursuant to the Pre-IPO Share Award Scheme; and (ii) 2,535,000 Shares pursuant to the share option scheme adopted by the Company on 29 December 2020.
- (3) The entire issued share capital of New Asia Limited (“**New Asia**”) is held by Great Origin Ventures Limited (“**Great Origin**”), whose entire issued share capital is in turn held by Mr. Zhu. Therefore, Mr. Zhu is deemed to be interested in the Shares held by New Asia under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which (i) were 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C1 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as is known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Division 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Best Dawn	Beneficial owner	255,695,143 (Long Position)	29.91%
Ms. Ge Tong	Interest of spouse (<i>Note 1</i>)	278,636,331 (Long Position)	32.59%
World Hero	Beneficial owner	84,863,129 (Long Position)	9.93%

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
New Asia	Beneficial owner	152,170,529 (Long Position)	17.80%
Great Origin	Interest of a controlled corporation (<i>Note 2</i>)	152,170,529 (Long Position)	17.80%
Sinopec Overseas Investment Holding Limited ("Sinopec")	Beneficial owner	110,294,118 (Long Position)	12.90%
China Petroleum & Chemical Corporation	Interest of a controlled corporation (<i>Note 3</i>)	110,294,118 (Long Position)	12.90%
China Petrochemical Corporation ("Sinopec Group")	Interest of a controlled corporation (<i>Note 3</i>)	110,294,118 (Long Position)	12.90%

* The percentage has been calculated based on 854,862,679 Shares in issue as at the Latest Practicable Date.

Notes:

- (1) Ms. Ge Tong is the spouse of Mr. Zeng. Under the SFO, Ms. Ge is deemed to be interested in the same number of Shares in which Mr. Zeng is interested.
- (2) The entire issued share capital of New Asia is held by Great Origin. Therefore, Great Origin is deemed to be interested in the Shares held by New Asia under the SFO.
- (3) The entire issued share capital of Sinopec is held by China Petroleum & Chemical Corporation, which is in turn 69.6% owned by Sinopec Group. Therefore, each of China Petroleum & Chemical Corporation and Sinopec Group is deemed to be interested in the Shares held by Sinopec under the SFO. China Petroleum & Chemical Corporation is a PRC state-owned company, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 386).

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Our Directors confirm that, as at 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.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2024 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save for Mr. Zhu's interest in No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the Yangxi Agreements (supplemented by the 2023 Supplemental Agreement), No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group (other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group) or have any other conflicts of interest with the Group pursuant to the Listing Rules.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there has not been any material adverse change in the financial or trading position of the Group since 31 December 2024 (being the date to which the latest published consolidated audited financial statements of the Group were made up).

7. SERVICE AGREEMENTS

None of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained or referred to in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion (as the case may be) and reference to its letter and name in the form and context in which they appear.

As at the Latest Practicable Date, the expert above did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the expert above did not have any direct or indirect interests in any assets which have since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up) 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.

9. MISCELLANEOUS

- (i) The registered office of the Company is at PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands, and the principal place of business in Hong Kong is at 40/F., Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.
- (ii) The branch share registrar of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (iii) The joint company secretaries are Mr. Hu Nan and Ms. Wong Wai Ling.
- (iv) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaboqi.com) for a period of not less than 14 days before the date of the EGM:

- (i) No. 7-8 Yangxi Facilities EPC Contract;
- (ii) No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement;
- (iii) the 2023 Supplemental Agreement;
- (iv) No. 5-6 Yangxi Facilities Maintenance Service Agreement;
- (v) No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement; and
- (vi) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

NOTICE OF EGM



China Boqi Environmental (Holding) Co., Ltd.

中國博奇環保(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of China Boqi Environmental (Holding) Co., Ltd. (the “**Company**”) will be held at the conference room of the Company at the conference room of the Company at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC on Wednesday, 17 September 2025 at 10:30 a.m. (the “**Meeting**”) for the purposes of considering and, if thought fit, passing the following matters. Terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 28 August 2025 (the “**Circular**”) unless otherwise defined.

ORDINARY RESOLUTIONS

- (1) To consider and, if thought fit, to approve the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract.
- (2) To consider and, if thought fit, to approve the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.
- (3) To authorise the Directors, acting together, individually or by committee, to take such actions, do all such acts and things and execute all such further documents or deeds as they may consider necessary, appropriate, desirable or expedient for implementation of or giving effect to (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

By Order of the Board

China Boqi Environmental (Holding) Co., Ltd.

Zeng Zhijun

Chairman, Executive Director and Chief Executive Officer

Beijing, PRC, 28 August 2025

Registered office:

PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

NOTICE OF EGM

Notes:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.
2. In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the above meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
3. In order to be valid, a form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish..
4. For determining the entitlement to attend and vote at the EGM or any adjournment thereof, the record date is fixed on Wednesday, 17 September 2025. The transfer books and register of members of the Company will be closed from Friday, 12 September 2025 to Wednesday, 17 September 2025, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 11 September 2025.
5. The votes at the Meeting will be taken by poll.

As of the date of this notice, the executive directors of the Company are Mr. Zeng Zhijun, Mr. Liu Genyu and Ms. Qian Xiaoning; the non-executive directors of the Company are Mr. Zheng Tony Tuo, Mr. Zhu Weihang and Mr. Chen Xue; and the independent non-executive directors of the Company are Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan.