
CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the independent Shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

Transactions in relation to leases of office premises

Connected persons and relationship

CE Environmental and Everbright Environmental Protection (China) Company Limited (光大環保(中國)有限公司) ("**EB Environmental (China)**") are wholly-owned subsidiaries of CEIL, the Controlling Shareholder of our Company. CE Environmental and EB Environmental (China) are therefore associates of CEIL and connected persons of our Company under the Hong Kong Listing Rules.

Background

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions with the Remaining CEIL Group on normal commercial terms whereby the Remaining CEIL Group leases to us certain office premises. In Hong Kong, CE Environmental sublets to us office premises with a total gross floor area of approximately 300.9 sq.m. for a term of three years commencing on May 18, 2016 and expiring on May 17, 2019 (both days inclusive). Such office premises have been rented by CE Environmental for the same period from Lane Bright Limited, an indirect wholly-owned subsidiary of CE Hong Kong, which is an indirect controlling shareholder of CEIL. In the PRC, EB Environmental (China) leases to us office premises, with a total gross floor area of approximately 540.1 sq.m.. Such office premises have been rented by Everbright Greentech Management (Shenzhen) for a term of three years commencing on January 1, 2017 to December 31, 2019 from EB Environmental (China). The amounts payable by us to CE Environmental and EB Environmental (China) are determined after arm's length negotiations between the parties with reference to prevailing market rent and the rental valuation report of the premises conducted by an independent property consulting firm engaged by CEIL.

In respect of each of the rental arrangements, tenancy agreements have been entered into pursuant to the requirements under Chapter 14A of the Hong Kong Listing Rules. Such tenancy agreements are for a fixed term not exceeding three years and are on normal commercial terms (the "**Tenancy Agreements**", each a "**Tenancy Agreement**").

Historical transaction amounts

We had no transactions with CE Environmental or EB Environmental (China) with respect to the rental arrangements prior to 2016. Subsequent to the commencement of the rental arrangements, the

CONNECTED TRANSACTIONS

monthly rents payable by us to CE Environmental and EB Environmental (China) are HK\$307,800 and RMB124,232, respectively. For the year ended December 31, 2016, the rents payable by us to CE Environmental and EB Environmental (China) amounted to HK\$1,985,806 and RMB1,343,051, respectively. We shall be entitled to a rent-free period of three months under the Tenancy Agreement with CE Environmental, which shall be from May 18, 2016 to June 17, 2016; from May 1, 2017 to May 31, 2017, and from May 1, 2018 to May 31, 2018.

Annual caps

Based on (1) the monthly rents payable under the Tenancy Agreements, (2) the three-month rent-free periods as mentioned above, (3) the prevailing and projected market rates of comparable properties in the nearby area, and (4) the expiry date of the lease of office premises from CE Environmental to us on May 17, 2019, our Directors estimate that the annual rental payment under the Tenancy Agreements will not exceed the following annual caps for the three years ending December 31, 2019:

	<u>Year ending December 31,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
		(HK\$)	
Aggregate amounts to be paid by us under the Tenancy Agreements	5,174,741	5,174,741	3,199,691

Hong Kong Listing Rules requirements

Since the highest of all applicable percentage ratios for the transactions under the Tenancy Agreements calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules is more than 0.1% but less than 5%, the transactions under the Tenancy Agreements are continuing connected transactions subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2)(a) of the Hong Kong Listing Rules.

Transactions in relation to the provision of design services

Connected persons and relationship

Jiangsu Design and Research Institute of Energy Conservation Engineering (江蘇省節能工程設計研究院有限公司) (“**Jiangsu Design & Research Institute**”) is a wholly-owned subsidiary of CEIL, the Controlling Shareholder of our Company. Jiangsu Design & Research Institute is therefore an associate of CEIL and a connected person of our Company under the Hong Kong Listing Rules. Jiangsu Design & Research Institute is engaged in the provision of construction services, design of renewable energy construction projects and research and development of environmental protection equipment. On April 7, 2016, CEIL acquired a 100% equity interest in Jiangsu Design & Research Institute from an independent third party as part of its strategy to expand its market share in its “envirotech” segment.

CONNECTED TRANSACTIONS

Background

In the ordinary and usual course of business, following the Listing, we expect to enter into transactions with Jiangsu Design & Research Institute on normal commercial terms, whereby we source project design services from Jiangsu Design & Research Institute. Specifically, we expect Jiangsu Design & Research Institute to provide project design services to our Group in our projects primarily related to biomass direct combustion, biomass heat provision, biomass electricity and heat cogeneration, integrated biomass waste-to-energy and hazardous waste.

In respect of the purchase of project design services from Jiangsu Design & Research Institute, we entered into a framework agreement with Jiangsu Design & Research Institute on December 30, 2016 pursuant to the requirements under Chapter 14A of the Hong Kong Listing Rules on normal commercial terms for a fixed term not exceeding three years from January 1, 2017 to December 31, 2019 (“**Project Design Services Framework Agreement**”).

We will enter into a project construction design contract with Jiangsu Design & Research Institute in respect of each specific project that we engage it for project design services. The design fee for each project construction design contract should be determined with respect to the specific needs of the project, with reference to prevailing market prices based on the pricing quoted by no fewer than three independent third parties for the same or similar design services and on a fair and reasonable basis. The design fee quoted by Jiangsu Design & Research Institute to our Group shall be no less favorable to us than the terms it quotes to independent third parties for the same design services.

As a subsidiary of CEIL with a proven track record, our Directors are of the view that Jiangsu Design & Research Institute is qualified to offer turnkey design solutions to our renewable energy projects and that it is in the interest of our Company and our Shareholders to enter into the Project Design Services Framework Agreement with Jiangsu Design & Research Institute.

Historical transaction amounts

We had no transactions with Jiangsu Design & Research Institute with respect to the purchase of project design services prior to 2016. For the year ended December 31, 2016, the amount payable to Jiangsu Design & Research Institute by us for project design services was RMB2.2 million.

Annual caps

The independent third party design companies that we have historically engaged include electrical power engineering consultancy companies, electrical power project design companies and research and design institutes. The average cost of project design services for each of the biomass, waste-to-energy and hazardous waste treatment project for the year ended December 31, 2016 amounted to approximately RMB3.1 million. We anticipate that we will require project design services for approximately 10 projects each year and expect that we will engage Jiangsu Design & Research

CONNECTED TRANSACTIONS

Institute in approximately five integrated biomass and waste-to-energy projects with each contract costing up to RMB6 million as project design services will be required for both the biomass operations and the waste-to-energy operations of each integrated project. As such, based on (1) the number of projects for which our Company anticipates to engage Jiangsu Design & Research Institute and (2) the cost of project design services required for each anticipated project, with reference to historical transactions with independent third parties who provided similar services to us, our Directors estimate that the annual purchase amount under the Project Design Services Framework Agreement will not exceed the following annual caps for the three years ending December 31, 2019:

	Year ending December 31,		
	2017	2018	2019
		(RMB)	
Aggregate amounts to be paid by us under the Project Design Services Framework Agreement	30,000,000	30,000,000	30,000,000

Hong Kong Listing Rules requirements

Since the highest of all applicable percentage ratios for the transactions under the Project Design Services Framework Agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules is more than 0.1% but less than 5%, the transactions under the Project Design Services Framework Agreement are continuing connected transactions subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Rule 14A.76(2)(a) of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will be regarded as continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Transactions in relation to the purchase of equipment

Connected persons and relationship

Everbright Environmental Protection Technology Equipment (Changzhou) Company Limited (光大環保技術裝備(常州)有限公司) (“**EB Environmental Changzhou**”) is a subsidiary of CEIL, the Controlling Shareholder of our Company. EB Environmental Changzhou is therefore an associate of CEIL and a connected person of our Company under the Hong Kong Listing Rules.

Background

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions with EB Environmental Changzhou on normal commercial

CONNECTED TRANSACTIONS

terms whereby we purchase (1) grate furnaces, (2) technical services for flue gas treatment and (3) technical services for leachate treatment from EB Environmental Changzhou for the waste-to-energy facilities of our integrated biomass and waste-to-energy projects (the “**Equipment and Related Services**”).

In respect of the purchase of the Equipment and Related Services from EB Environmental Changzhou, we entered into a framework agreement with EB Environmental Changzhou on December 30, 2016 pursuant to the requirements under Chapter 14A of the Hong Kong Listing Rules on normal commercial terms for a fixed term not exceeding three years from January 1, 2017 to December 31, 2019 (“**Equipment Purchase Framework Agreement**”).

We will enter into separate equipment purchase contracts with EB Environmental Changzhou in respect of the specific needs of our waste-to-energy projects. The amount payable by us under each equipment purchase contract should be determined with respect to the specific needs of the project and the required technology, with reference to prevailing market prices based on the pricing quoted by no fewer than three independent third parties for the same or similar equipment and on a fair and reasonable basis. The prices quoted by EB Environmental Changzhou to our Group shall be no less favorable to us than the terms it quotes to independent third parties for the same equipment.

Historical transaction amounts

We had no transactions with EB Environmental Changzhou with respect to the purchase of the Equipment and Related Services prior to 2015. For the year ended December 31, 2015 and the year ended December 31, 2016, the amounts payable to EB Environmental Changzhou by us for the Equipment and Related Services were RMB24.9 million and RMB20.0 million, respectively. For the year ended December 31, 2015, the amounts payable to EB Environmental Changzhou by us for grate furnaces, technical services for flue gas treatment and technical services for leachate treatment were RMB9.4 million, RMB8.4 million and RMB7.1 million, respectively. For the year ended December 31, 2016, the amounts payable to EB Environmental Changzhou by us for grate furnaces, technical services for flue gas treatment and technical services for leachate treatment were RMB6.5 million, RMB8.8 million and RMB4.7 million, respectively.

Annual caps

For each of 2017, 2018 and 2019, we anticipate to launch around six new projects each year, in which each project will cost approximately RMB14 million. Based on historical transactions, we anticipate that technical services for flue gas treatment and leachate treatment will cost approximately RMB800,000 to RMB1 million for each project, respectively. The relevant cost for each project is determined in accordance with design specifics and the technical services required to ensure that the flue gas and leachate systems operate in accordance with the required standards. As such, based on (1) the historical prices of the Equipment and Related Services purchased by the Group from EB Environmental Changzhou; (2) the projections for the biomass and waste-to-energy projects under construction and to be completed, and expected expansion of our biomass projects business in the

CONNECTED TRANSACTIONS

years 2017, 2018 and 2019, and (3) anticipated inflation in the PRC whereby causing an increase in the price of equipment and labor generally, our Directors estimate that the annual purchase amount under the Equipment Purchase Framework Agreement will not exceed the following annual caps for the three years ending December 31, 2019:

	Year ending December 31,		
	2017	2018	2019
	<i>(RMB)</i>		
Aggregate amounts to be paid by us under the Equipment Purchase Framework Agreement	80,000,000	90,000,000	100,000,000

Hong Kong Listing Rules requirements

Since the highest of all applicable percentage ratios for the transactions under the Equipment Purchase Framework Agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, the transactions under the Equipment Purchase Framework Agreement are continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Transactions in relation to deposit services

Connected persons and relationship

China Everbright Group is a controlling shareholder of CEIL, the Controlling Shareholder of our Company. China Everbright Group is therefore an associate of CEIL and a connected person of our Company under the Hong Kong Listing Rules.

Background

In the ordinary and usual course of business, we have entered into and, following the Listing, expect to continue to enter into transactions with China Everbright Bank Co., Ltd. (中國光大銀行股份有限公司) ("**CE Bank**") as procured by China Everbright Group on normal commercial terms whereby we receive deposit services (including current and fixed term deposits) in accordance with rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC from CE Bank ("**Deposit Services**"). CE Bank is a licensed commercial bank registered with the China Banking Regulatory Commission. Services rendered by CE Bank to our Group and the CEIL Group include deposit, loan and related services.

In respect of the Deposit Services from CE Bank as procured by China Everbright Group, we entered into a framework agreement with China Everbright Group on March 17, 2017 pursuant to the requirements under Chapter 14A of the Hong Kong Listing Rules on normal commercial terms for a fixed term not exceeding three years from the date of the agreement to December 31, 2019 ("**Deposit Services Framework Agreement**").

Under the Deposit Services Framework Agreement, China Everbright Group shall procure CE Bank to provide the Deposit Services to our Group at interest rates determined based on normal

CONNECTED TRANSACTIONS

commercial terms and after arm's length negotiations between CE Bank and our Group that are no less favorable to our Group than the terms available to us from independent third parties.

Historical transaction amounts

For the three years ended December 31, 2014, 2015 and 2016, the maximum daily closing balance of deposits (including interests accrued thereon) placed by our Group with CE Bank was HK\$102.5 million, HK\$78.3 million and HK\$139.7 million, respectively.

Caps on future transaction amounts

Based on (1) the historical maximum daily closing balance of deposits (including interest accrued thereon) of our Group with CE Bank in previous years, (2) the expected continuous growth in assets and amount of deposits of our Group, (3) the business development plans and financing needs of our Group over the next three years, and (4) cash management needs of our Group (particularly in respect of the proceeds of any future loans that our Group may receive from CE Bank), our Directors estimate that the maximum daily closing balance of deposit amount under the Deposit Services Framework Agreement will not exceed the following caps for the three years ending December 31, 2019:

	Year ending December 31,		
	2017	2018	2019
		(HK\$)	
Maximum daily closing balance of deposits (including interests accrued thereon)	500,000,000	500,000,000	500,000,000

Hong Kong Listing Rules requirements

Since the highest of all applicable percentage ratios for the transactions under the Deposit Services Framework Agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, the transactions under the Deposit Services Framework Agreement are continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Transactions in relation to loan services

Connected persons and relationship

China Everbright Group is a controlling shareholder of CEIL, the Controlling Shareholder of our Company. China Everbright Group, is therefore an associate of CEIL and a connected person of our Company under the Hong Kong Listing Rules.

Background

In the ordinary and usual course of business, following the Listing, we expect to enter into transactions with CE Bank as procured by China Everbright Group on normal commercial terms whereby we receive loans (including revolving credit facility and fixed term loans) in accordance with the rules and regulations prescribed by the PBOC and/or other relevant rules and regulations within or outside the PRC from CE Bank (the "Loan Services").

CONNECTED TRANSACTIONS

In respect of the Loan Services from CE Bank as procured by China Everbright Group, we entered into a framework agreement with China Everbright Group on March 17, 2017 pursuant to the requirements under Chapter 14A of the Hong Kong Listing Rules on normal commercial terms for a fixed term not exceeding three years from the date of the agreement to December 31, 2019 (“**Loan Services Framework Agreement**”).

Under the Loan Services Framework Agreement, China Everbright Group shall procure CE Bank to provide the loans to our Group at interest rates determined based on normal commercial terms and after arm’s length negotiations between CE Bank and our Group that are no less favorable to our Group than the terms available to us from independent third parties.

Historical transaction amounts

We had no transactions with CE Bank with respect to Loan Services prior to 2016. For the year ended December 31, 2016, the amount of bank loans we have obtained from CE Bank was RMB30,000,000.

Caps on future transaction amounts

Based on (1) the expected increase in the amount of loans required by our Group arising from the anticipated growth in our future business operations, and (2) the business development plans and financing needs of our Group over the next three years, our Directors estimate that the maximum daily closing balance of loans under the Loan Services Framework Agreement will not exceed the following caps for the three years ending December 31, 2019:

	Year ending December 31,		
	2017	2018	2019
		(HK\$)	
Maximum daily closing balance of loans (excludes loans which do not require security over the Group’s assets)	500,000,000	500,000,000	500,000,000

For the purpose of arriving at the above caps, we have assumed that we will obtain loans from CE Bank to finance two new projects in the three years ending December 31, 2019, and the loan amount for each project is approximately HK\$250 million. The proposed cap of HK\$500 million constitutes only an insignificant portion of our Company’s overall funding needs for projects that commence construction in 2017 or after.

Hong Kong Listing Rules requirements

Since the highest of all applicable percentage ratios for the transactions under the Loan Services Framework Agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, the transactions under the Loan Services Framework Agreement are continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

WAIVER

As the transactions under the Tenancy Agreements, Project Design Services Framework Agreement, Equipment Purchase Framework Agreement, Deposit Services Framework Agreement and Loan Services Framework Agreement are expected to be carried out on a continuing and recurring

CONNECTED TRANSACTIONS

basis and extend over a period of time, the Directors consider that strict compliance with the announcement requirement and independent Shareholders' approval requirement under the Hong Kong Listing Rules would be unduly burdensome, impractical and would impose unnecessary administrative costs on us.

Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Hong Kong Listing Rules to (a) exempt the transactions under the Tenancy Agreements and the Project Design Services Agreement from compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules for the three years ending December 31, 2019, subject to the condition that the annual transaction value shall not exceed the proposed annual caps set out above; and (b) exempt the transactions under the Equipment Purchase Framework Agreement, the Deposit Services Framework Agreement and the Loan Services Framework Agreement from compliance with the announcement and independent Shareholders' approval requirements under Rules 14A.35 to 14A.48 of the Hong Kong Listing Rules for the three years ending December 31, 2019, subject to the condition that the annual transaction value shall not exceed the proposed annual caps set out above. In addition, we will comply with the applicable provisions under Rules 14A.34, 14A.49, 14A.51 to 14A.59 and 14A.71(6) of the Hong Kong Listing Rules. Upon the expiry of the waiver after December 31, 2019, we will comply with the applicable provisions of Chapter 14A of the Hong Kong Listing Rules as amended from time to time or apply for relevant waivers.

Furthermore, given (1) the nature of the Deposit Services and Loan Services rendered under the Deposit Services Framework Agreement and Loan Services Framework Agreement and (2) our Group's financing needs to efficiently facilitate business operations, we are of the view that the caps set for both the Deposit Services and Loan Services will be more appropriately expressed in terms of a maximum daily closing balance of deposits and a maximum daily closing balance of loans, rather than on an annual basis, under the Deposit Services Framework Agreement and the Loan Services Framework Agreement.

In the event of any future amendments to the Hong Kong Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions, we will take immediate steps to ensure compliance with such new requirements within a reasonable time. We will also comply with the applicable requirements under the Hong Kong Listing Rules if any of the respective proposed annual caps set out above are exceeded, or when the Tenancy Agreements, Project Design Services Framework Agreement, Equipment Purchase Framework Agreement, Deposit Services Framework Agreement or Loan Services Framework Agreement are renewed or when there is a material change under the terms of such agreements.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our Independent Non-executive Directors) are of the opinion that (i) the transactions under the Tenancy Agreements, Project Design Services Framework Agreement, Equipment Purchase Framework Agreement, Deposit Services Framework Agreement and Loan Services Framework Agreement have been entered into, and will be carried out, in the ordinary and

CONNECTED TRANSACTIONS

usual course of business of the Company and on normal commercial terms or better (or terms no less favorable to the Company than terms available to or from independent third parties); (ii) the transactions under the Tenancy Agreements, Project Design Services Framework Agreement, Equipment Purchase Framework Agreement, Deposit Services Framework Agreement and Loan Services Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole; and (iii) the proposed caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the terms of the Tenancy Agreements, Project Design Services Framework Agreement, Equipment Purchase Framework Agreement, Deposit Services Framework Agreement and Loan Services Framework Agreement are in the ordinary and usual course of our business, on normal commercial terms or better (or terms no less favorable to the Company than terms available to or from independent third parties) and are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and (ii) the proposed caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

OTHER INFORMATION

In November 2012, CE Hong Kong entered into a licensing agreement with CEIL to grant CEIL and its affiliates the non-exclusive rights to use the trademarks of “Everbright” for their products and services and use “Everbright” as part of their respective company names during the validity of the trademarks at a fee of HK\$1. The Trademark License Agreement is for an unspecified term and will terminate automatically upon (i) mutual consent of the parties; (ii) termination of the licensing deed between China Everbright Group and CE Hong Kong in relating to the same trademark by the parties thereto; (iii) CE Hong Kong ceases to, directly or indirectly, control CEIL; or (iv) the dissolution or winding up of CEIL. For details of the trademarks, please refer to the section headed “Appendix V Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights — (a) Trademarks”.

Since all the applicable percentage ratios for the transactions under the licensing agreement calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules are less than 0.1%, the transactions under the licensing agreement are continuing connected transactions fully exempt from the shareholders’ approval, annual review and all disclosure requirements under Rule 14A.76 of the Hong Kong Listing Rules.