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## **China Power Clean Energy Development Company Limited**

**中國電力清潔能源發展有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 0735)**

### **CONNECTED TRANSACTION**

### **CONSTRUCTION PROJECT AGREEMENT**

#### **SUMMARY**

The Company is pleased to announce that on 15 September 2017, the Parties entered into the Project Agreement pursuant to which the Contractor has agreed to complete the materials procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, acceptance testing, training, handover of production, performance quality assurance and services covering the quality assurance period of the Project of the Contract Letting Party.

The Contract Letting Party is an indirect wholly-owned subsidiary of the Company. The Contractor is a subsidiary of SPIC (a substantial shareholder of the Company) and therefore a connected person of the Company for the purpose of the Listing Rules. As such, the transaction contemplated under the Project Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable Percentage Ratio (other than the profits ratio) calculated with reference to the consideration under the Project Agreement is more than 0.1% but less than 5%, the Project Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **INTRODUCTION**

The Company is pleased to announce that on 15 September 2017, the Parties entered into the Project Agreement pursuant to which the Contractor has agreed to complete the materials procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, acceptance testing, training, handover of production, performance quality assurance and services covering the quality assurance period of the Project of the Contract Letting Party.

## **PRINCIPAL TERMS OF THE PROJECT AGREEMENT**

### **1) Date and effectiveness**

The Project Agreement was entered into on 15 September 2017 and will become effective upon the delivery by the Contractor to the Contract Letting Party of a performance guarantee.

### **2) Parties**

- (1) 鳳臺中電生物質發電有限公司 (Fengtai China Power Biomass Power Generation Company Limited\*) (as contract letting party); and
- (2) 中電投電力工程有限公司 (SPI Power Engineering Company Limited\*) (as contractor).

### **3) Scope of work**

The Contractor shall be responsible for the materials procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, acceptance testing, training, handover of production, performance quality assurance and services covering the quality assurance period of the Project.

### **4) Timing for completion**

The Project is expected to be completed by 28 February 2019.

### **5) Consideration and payment terms**

The total consideration under the Project Agreement is RMB180,961,542, comprising the construction and installation fee of RMB143,024,366, the engineering equipment fee of RMB37,609,176 and the management, risk and miscellaneous fees of RMB328,000.

- (1) Within 14 days of the Contract Letting Party receiving from the Contractor the advance payment guarantee, the Contract Letting Party shall make to the Contractor a payment in advance in an amount equal to 5% of the construction and installation fee.
- (2) The construction and installation fee will be payable by the Contract Letting Party to the Contractor in accordance with an agreed schedule under the Project Agreement which reflects the progress of the construction and installation of the Project, subject to, from each payment, a deduction of 2.63% representing a fee for safe and civilised construction (安全文明施工費) and a further deduction of 5% representing a quality assurance deposit. The payment in advance referred to in paragraph (1) above will be set off against the construction and installation fee in accordance with an agreed schedule under the Project Agreement.

- (3) The engineering equipment fee will be payable by the Contract Letting Party to the Contractor in accordance with the payment terms entered into between the Contractor and its suppliers, subject to approval by the Contract Letting Party.
- (4) The management and risk fees will be payable by the Contract Letting Party to the Contractor in accordance with an agreed schedule under the Project Agreement which reflects the progress of the Project subject to, from each payment, a deduction of 5% representing a quality assurance deposit.
- (5) Miscellaneous fees such as project insurance premiums, fees relating to the setting of base amount and assessment of sub-contracting tender and sub-contracting tender agency fees will be payable by the Contract Letting Party to the Contractor upon receipt by the Contract Letting Party from the Contractor of the relevant invoices (financial receipts, ordinary invoices, VAT invoices, etc.).
- (6) The fee for safe and civilised construction (安全文明施工費) will be payable by the Contract Letting Party to the Contractor as to 50% upon approval by the Contract Letting Party of the Contractor's proposal regarding the use of proceeds, and as to the remaining 50% within 14 days after commencement of hoisting of boiler heating surface.
- (7) The quality assurance deposit retained by the Contract Letting Party in accordance with the terms of the Project Agreement will be returned to the Contractor within 30 days after the first anniversary of the date of completion of the Project.
- (8) The Contract Letting Party intends to finance the Project using its internal resources and bank borrowings.

## **REASONS FOR AND BENEFITS OF THE PROJECT AGREEMENT**

The Project was awarded to the Contractor by way of tender under which bidders were assessed with reference to their specialised technological know-how, equipment, facilities, personnel and practical experience. The terms of the Project Agreement were determined after arm's length negotiations with reference to the costs involved and the prevailing rates charged by other contracting parties in comparable projects. The Directors are of the view that the terms of the Project Agreement are no less favourable to the Company than the terms available from independent third parties.

The Directors (including the independent non-executive Directors) are of the view that the transaction contemplated under the Agreement is on normal commercial terms or better (which are fair and reasonable), in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE COMPANY, THE CONTRACT LETTING PARTY AND THE CONTRACTOR**

### **1) Information on the Company and the Contract Letting Party**

The Company, whose shares are listed on the Stock Exchange, has its head office in Hong Kong. The principal business activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the development, construction, ownership, operation and management of clean energy power plants in the PRC, and also engaged in investment holding in the clean energy power industry and property investments. The Contract Letting Party is an indirect wholly-owned subsidiary of the Company and is principally engaged in biomass power generation and sale of electricity.

### **2) Information on the Contractor**

The Contractor is a subsidiary of SPIC established in 2006 which is principally engaged in engineering and construction project management, surveying, project supervision and consultation and international projects contracting. It is qualified as the First Class power engineering contractor and Grade A power project supervisor in China, and won the China Construction Engineering Luban Prize (中國建設工程魯班獎) in 2008 awarded by the PRC government.

## **LISTING RULES IMPLICATIONS**

The Contract Letting Party is an indirect wholly-owned subsidiary of the Company. The Contractor is a subsidiary of SPIC (a substantial shareholder of the Company) and therefore a connected person of the Company for the purpose of the Listing Rules. As such, the transaction contemplated under the Project Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable Percentage Ratio (other than the profits ratio) calculated with reference to the consideration under the Project Agreement is more than 0.1% but less than 5%, the Project Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the transaction contemplated under the Project Agreement.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	China Power Clean Energy Development Company Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Contractor”	中電投電力工程有限公司 (SPI Power Engineering Company Limited*), a company incorporated in the PRC and a subsidiary of SPIC

“Contract Letting Party”	鳳臺中電生物質發電有限公司 (Fengtai China Power Biomass Power Generation Company Limited*), an indirect wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	the Contract Letting Party and the Contractor
“Percentage Ratios”	the percentage ratios described under Rule 14.07 of the Listing Rules and “Percentage Ratio” means any one of them
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Project”	the Fengtai County Agricultural Biomass Power Generation Project to be constructed in Yangcun Town, Fengtai County, Huainan City, Anhui Province, the PRC (location of the Project)
“Project Agreement”	the PC General Contracting Agreement of the Fengtai County Agricultural Biomass Power Generation Project
“RMB”	the Renminbi, the lawful currency of the PRC
“SPIC”	State Power Investment Corporation, a substantial shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board  
**China Power Clean Energy Development Company Limited**  
**Wang Binghua**  
*Chairman*

Hong Kong, 15 September 2017

*As at the date of this announcement, the Board comprises four executive directors, namely Mr. Wang Fengxue, Mr. Zhao Xinyan, Mr. He Hongxin and Mr. Qi Tengyun; three non-executive directors, namely Mr. Wang Binghua, Mr. Bi Yaxiong and Mr. Zhou Jiong; and four independent non-executive directors, namely Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai, and Ms. Ng Yi Kum.*

\* For identification purposes only