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中國能源建設股份有限公司

CHINA ENERGY ENGINEERING CORPORATION LIMITED*

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

(Stock Code: 3996)

**ANNOUNCEMENT
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

As the existing (1) Financial Services Framework Agreement, (2) Daily Production and Operation Framework Agreement (i.e. the Project Contracting and Sub-contracting Framework Agreement and the Technical Services Framework Agreement in 2017) and (3) Property Lease Framework Agreement have expired, on 29 January 2018, the Company and Energy China Group renewed the above framework agreements. The material terms and details of the aforesaid framework agreements are as follows:

1. FINANCIAL SERVICES FRAMEWORK AGREEMENT

Date

29 January 2018

Parties

- (1) Finance Company
- (2) Energy China Group

Material Terms

According to the Financial Services Framework Agreement, the financial services to be provided by Finance Company to Energy China Group and its subsidiaries include deposit services, comprehensive credit services and other financial services, among which:

- (1) Deposit services: Finance Company shall provide deposit services to Energy China Group and its subsidiaries;

* *For identification purpose only*

- (2) Comprehensive credit services: Finance Company shall assist Energy China Group and its subsidiaries in receipt and payment of transactional funds, entrusted loans and entrusted investments, acceptance and discount of notes, loans and finance leases;
- (3) Other financial services: Finance Company shall handle internal transfer settlement and corresponding settlement and liquidation plan design; provide financial and financing consultancy, credit testimony and related consulting and agency business; underwrite the corporate bonds of Energy China Group and its subsidiaries; and provide other services as permitted by the financial license of the Finance Company for Energy China Group and its subsidiaries.

Term

The term of the Financial Services Framework Agreement is three years, i.e. from 1 January 2018 to 31 December 2020.

Pricing Policy

The services to be provided by Finance Company to Energy China Group are subject to the following pricing policies:

- (1) The deposit interest rate for the deposit services shall be determined in accordance with the deposit interest rates with the same type and term stipulated by PBOC with reference to the interest rates of major domestic commercial banks in the PRC for the deposits with the same type and term;
- (2) The interest rate and rate for the comprehensive credit services shall be determined in accordance with the floating range of loan interest rates with the same type and term stipulated by PBOC with reference to the interest rates of major domestic commercial banks in the PRC for the loans with the same type and term;
- (3) The service fee for the other financial services shall be determined with reference to the interest rates or service fee charged by major domestic commercial banks or financial institutions in the PRC for the same type of service.

Historical Transaction Amount

The historical amount of service fee of the comprehensive credit services as of 31 December 2016 was RMB0.19 billion and the historical amount of unaudited service fee of the comprehensive credit services as of 31 December 2017 was RMB0.19 billion.

Existing Annual Caps

The annual cap for service fee of the comprehensive credit services as of 31 December 2016 was RMB1.0 billion and the annual cap for service fee of the comprehensive credit services as of 31 December 2017 was RMB1.6 billion.

Proposed Annual Caps

The proposed annual caps for service fee of the comprehensive credit services as of 31 December 2018, 2019 and 2020 are RMB1.6 billion, RMB1.6 billion and RMB1.6 billion respectively.

Basis for Determining the Annual Caps

When determining the annual caps, the Directors of the Company have taken into account the historical amount of such transactions and the trend of future development. In recent years, the Group has accelerated the construction of the financial platform system and increased capital collection through the Finance Company. In 2017, the capital collection rate of the Group increased by over 10 percentage points and the savings funds used by Finance Company for providing comprehensive credit services increased followed by its increased business volume. Accordingly, the Company expects Finance Company to maintain its rapid growth in comprehensive credit services in the future.

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

The main reasons for and benefits of providing the financial services to Energy China Group and its subsidiaries are as follows:

- (1) Through the expansion of services provided by Finance Company to Energy China Group, Finance Company will enhance the stability of its operations and the profitability of the Group as a whole will also be further improved;
- (2) The arrangements under the Financial Services Framework Agreement will allow the Group to centralize the deposited funds to a certain extent, which will expedite the monitoring of the use and application of funds within the Group, and will provide the Group with higher bargaining power; and
- (3) The interest rates on deposits and financing and fees for the other financial services offered by Finance Company to Energy China Group will be no less favorable than those offered to other independent third parties of a similar type and term.

2. DAILY PRODUCTION AND OPERATION FRAMEWORK AGREEMENT

Date

29 January 2018

Parties

- (1) The Company
- (2) Energy China Group

Material Terms

Pursuant to the Daily Production and Operation Framework Agreement, the Company and its subsidiaries as well as Energy China Group and its subsidiaries agree to provide each other with daily operation services including project survey and design, planning consultancy, labor services, integrated information services, construction, installation and other daily services related to the principal business.

Term

The term of the Daily Production and Operation Framework Agreement is three years, i.e. from 1 January 2018 to 31 December 2020.

Pricing Policy

The services between the Group and Energy China Group and its subsidiaries are subject to the following pricing principles:

- (1) The related service fee was agreed after arm's length negotiations between the parties with reference to the following conditions:
 - a) National and industry pricing standards for each service including but not limited to housing buildings, roads, water conservancy and hydropower, thermal power, power grids and other industries and local standards such as the Construction Survey and Design Fee Standard promulgated by National Development and Reform Commission and the 2013 Version of the Electric Power Construction Engineering Quota and Cost Calculation Rules and the Specification and Calculation Basis for Cost Estimate of Onshore Wind Power Projects promulgated by the National Energy Administration;
 - b) Service prices for similar categories, sizes and under other relevant conditions (if any) offered by two to three independent third parties in the same region; and

- (2) Neither party shall use its advantages or position to require or compel the other party to accept any of the conditions that violate the above principles.

Historical Transaction Amount

- (1) Energy China Group and its subsidiaries provide services to the Group: the historical amount of service fee as of 31 December 2016 was RMB0.002449 billion and the historical amount of unaudited service fee as of 31 December 2017 was RMB0.117 billion;
- (2) The Group provides services to Energy China Group and its subsidiaries: the historical amount of service fee as of 31 December 2016 was RMB0.013516 billion and the historical amount of unaudited service fee as of 31 December 2017 was RMB0.0339 billion.

Note: The historical transaction amount for 2016 included only the transaction amount under the Daily Production and Operation Framework Agreement and the annual historical transaction amount for 2017 included the transaction amounts under the Project Contracting and Sub-contracting Framework Agreement and the Technical Services Framework Agreement.

Existing Annual Caps

- (1) Energy China Group and its subsidiaries provide services to the Group: the annual cap for service fee as of 31 December 2016 was RMB0.8 billion; the annual cap for service fee as of 31 December 2017 was RMB0.89 billion, of which, the annual cap for the Project Contracting and Sub-contracting Framework Agreement was RMB0.8 billion, the annual cap for the Technical Services Framework Agreement was RMB0.09 billion;
- (2) The Group provides services to Energy China Group and its subsidiaries: the annual cap for service fee as of 31 December 2016 was RMB0.2 billion; the annual cap for service fee as of 31 December 2017 was RMB0.6 billion, being the annual cap for the Project Contracting and Sub-contracting Framework Agreement.

Proposed Annual Caps

- (1) Energy China Group and its subsidiaries provide services to the Group: the proposed annual caps for service fee as of 31 December 2018, 2019 and 2020 are RMB1.5 billion, RMB1.5 billion and RMB1.5 billion respectively;
- (2) The Group provides services to Energy China Group and its subsidiaries: the proposed annual caps for service fee as of 31 December 2018, 2019 and 2020 are RMB1.5 billion, RMB1.5 billion and RMB1.5 billion respectively.

Basis of the Annual Caps

When determining the annual caps, the Directors of the Company have taken into account the historical amount of such transactions and the trend of future development. In recent years, the Group has accelerated the pace of its transformation and upgrading. The general contracting has become the main way to explore the market, accounting for more than 50% of the total contracted projects of the Group. In 2017, the financing construction and industrial investment of the Group increased by more than 100% year-on-year and the daily operation services required and provided in the daily production and operation business continued to grow. Accordingly, both the services provided by Energy China Group and its subsidiaries to the Group and the services provided by the Group to Energy China Group and its subsidiaries increased correspondingly.

Reasons for and Benefits of Entering into the Daily Production and Operation Framework Agreement

The main reasons for and benefits of entering into the Daily Production and Operation Framework Agreement are as follows:

- (1) Energy China Group is familiar with the Group's business operations and procedures and its services to the Group will improve the operation efficiency and reduce the operation costs and risks of the Company to a great extent;
- (2) The services provided by the Group to Energy China Group enable the Group to conduct its business more extensively and fully master the industry development information;
- (3) The Group has established a long-term relationship with Energy China Group and understands the operational planning, quality control and certain special requirements of both parties; and
- (4) The prices and terms of the daily operation services provided by the Group to Energy China Group are no less favorable than those offered by the Group to independent third parties; the prices and terms of the daily operation services provided by Energy China Group to the Group are not higher than those provided by independent third parties to the Group.

3. PROPERTY LEASE FRAMEWORK AGREEMENT

Date

29 January 2018

Parties

- (1) The Company (as the lessee)
- (2) Energy China Group (as the lessor)

Material Terms

The Company entered into the Property Lease Framework Agreement with Energy China Group, pursuant to which the Group may lease the properties from Energy China Group and its subsidiaries.

Term

The term of the Property Lease Framework Agreement is three years, i.e. from 1 January 2018 to 31 December 2020.

Pricing Policy

The rents and other fees for the lease of the properties by the Group from Energy China Group and its subsidiaries are subject to the following principles:

- (1) Both parties shall review and determine the rents with reference to the prevailing market price (including but not limited to factors like geographical location, standards of construction and surrounding area);
- (2) The Company shall bear all utilities, heating fees and other miscellaneous expenses arising from the use of the relevant properties during the lease period and shall also be liable for maintenance and repair expenses, property tax and land use tax; and
- (3) Based on the prevailing market conditions, the Company considers that the current rents are fair and reasonable and in line with the then market rents of similar properties with similar location and purpose.

Historical Transaction Amount

The lease amounts as of 31 December 2015, 2016 and 2017 were RMB0.108 billion, RMB0.16 billion and RMB0.162 billion (unaudited) respectively.

Existing Annual Caps

The annual caps for lease amounts as of 31 December 2015, 2016 and 2017 were RMB0.112 billion, RMB0.166 billion and RMB0.166 billion respectively.

Proposed Annual Caps

The proposed annual caps for lease amounts as of 31 December 2018, 2019 and 2020 are RMB0.5 billion, RMB0.5 billion and RMB0.5 billion respectively.

Basis for Determining the Annual Caps

During 2015 to 2017, the real estate market in China including related property leasing market experienced rapid growth. The growth in first-tier cities such as Beijing was particularly significant. The total area of the related leasing properties leased by the Company from Energy China Group located in Beijing is more than 240,000 square meters. Considering the price adjustment after expiration of the prior agreement and the development trend of the property leasing market in the future, the caps for property lease amounts of the Company to be proposed from 2018 to 2020 is proposed to be raised to RMB0.5 billion on the basis of RMB0.166 billion (i.e. the cumulative caps for the actual signed lease contracts of each property).

Reasons for and Benefits of Entering into the Property Lease Framework Agreement

Due to the relocation of our offices, warehouses and plants to other sites, the Company will incur unnecessary business interruption and related costs. In addition, Energy China Group understands our requirements for offices and properties for warehousing and manufacturing purposes better than independent third parties. Therefore, the Company will continue the above transactions to ensure smooth operation and to save costs.

INTERNAL CONTROL PROCEDURES FOR THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the renewed continuing connected transactions are fair and reasonable and on normal commercial terms, the Company has stipulated strictly in “Procurement Management Regulations of China Energy Engineering Corporation Limited” that engineering procurement amounting to more than RMB2 million and service procurement amounting to more than RMB500,000 must adopt tender procurement. Moreover, the Company has set the evaluation index for online procurement rate and promoted the online procurement based on the centralized procurement platform of the Company to ensure the fairness and reasonableness of all kinds of transactions; As for non-tender procurement behavior, the Company's procurement platform price information shall be required to be fully used to carry out statistics and analysis on the purchase price, effectively reducing procurement costs in the premise of ensuring the quality of procurement;

Our independent non-executive Directors have also reviewed and will continue to review the agreements for renewed continuing connected transactions to ensure such agreements, where available, are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditor of the Company will also conduct an annual review on the pricing and annual caps of such agreements.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Energy China Group is a controlling shareholder of the Company and therefore, Energy China Group constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Finance Company is a subsidiary of the Company and accordingly, the Financial Services Framework Agreement, the Daily Production and the Operation Framework Agreement and Property Lease Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

(1) Financial Services Framework Agreement

The deposit services to be provided by Finance Company to Energy China Group and its subsidiaries will constitute continuing connected transactions by way of financial assistance received by the Group from a connected person. Pursuant to Rule 14A.90 of the Listing Rules, as the deposit services are conducted on normal commercial terms and not conditional upon any collateral of assets of the Group, the provision of the deposit services is fully exempt from reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio to the facility of comprehensive credit services is more than 0.1% but less than 5%, the provision of comprehensive credit services shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio to the scale of other financial services is less than 0.1%, pursuant to Rule 14A.76 of the Listing Rules, the provision of other financial services is fully exempt from reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) Daily Production and the Operation Framework Agreement

As the highest applicable percentage ratio to the daily operation services provided by the Group to Energy China Group and its subsidiaries is more than 0.1% but less than 5%, the related services shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio to the daily operation services provided by Energy China Group and its subsidiaries to the Group is more than 0.1% but less than 5%, the related services shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(3) Property Lease Framework Agreement

As the highest applicable percentage ratio to the property lease services provided by Energy China Group and its subsidiaries to the Group is more than 0.1% but less than 5%, the related services shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONFIRMATION OF THE BOARD

Our Directors (including our independent non-executive Directors) consider that the terms of the transactions contemplated under the Three Framework Agreements and the annual caps are on normal commercial terms in the ordinary and usual business course of the Company and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board has considered and approved the resolutions in relation to the renewed continuing connected transactions. As Mr. Wang Jianping and Mr. Ding Yanzhang, the Directors of the Company, are also the directors of Energy China Group, they are deemed to have material interests in the transactions between the Group and Energy China Group. They have abstained from voting on the approval of the Three Framework Agreements and the transactions contemplated thereunder at Board meetings in accordance with the requirements of the Listing Rules. Save as disclosed above, none of the Directors has material interests in the Three Framework Agreements.

GENERAL INFORMATION

The Company is one of the largest comprehensive solution providers for the power industry in the PRC and globally, and is principally engaged in the business of survey, design and consultancy in the power industry, construction, equipment manufacturing, civil explosives and cement production, investment and other businesses.

Energy China Group is a wholly state-owned enterprise and the controlling shareholder of the Company. It is mainly engaged in certain power engineering businesses, research and study on development strategy and planning of power industry, government and industry policies in the power industry and standardization of scientific research and the provision of community services such as health care, education and public security.

Finance Company is a licensed financial institution established in the PRC and a subsidiary of the Company. It is mainly engaged in providing relevant banking and finance services within the scope of business approved by CBRC.

DEFINITIONS

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

“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Finance Company”	China Energy Engineering Group Finance Co., Ltd. (中國能源建設集團財務有限公司), a limited liability company established in the PRC on 18 January 1996 and a subsidiary of the Company
“Company”	China Energy Engineering Corporation Limited (中國能源建設股份有限公司), a joint stock limited company established in the PRC, whose H shares are listed on the Stock Exchange (Stock Code: 3996)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Energy China Group”	China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), the controlling shareholder of the Company
“Three Framework Agreements”	Financial Services Framework Agreement, Daily Production and Operation Framework Agreement and Property Lease Framework Agreement
“Group”	the Company and its subsidiaries
“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
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China but excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
CHINA ENERGY ENGINEERING CORPORATION LIMITED*
Wang Jianping
Chairman

Beijing, the PRC
29 January 2018

As at the date of this announcement, the executive directors of the Company are Mr. Wang Jianping, Mr. Ding Yanzhang and Mr. Zhang Xianchong; the non-executive directors are Mr. Ma Chuanjing, Mr. Liu Xueshi and Mr. Si Xinbo; the independent non-executive directors are Mr. Ding Yuanchen, Mr. Wang Bin, Mr. Zheng Qiyu and Mr. Cheung Yuk Ming.