

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 AND
DISCLOSABLE TRANSACTION**

EPC PROJECT AGREEMENT

THE EPC PROJECT AGREEMENT

On 6 February 2018, the Parties entered into the Agreement pursuant to which the Contract Letting Party (being an indirect wholly-owned subsidiary of the Company) engaged the Contractor to carry out the engineering, procurement and construction work of the Project, which involves the construction of a domestic garbage incineration power plant in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, PRC. The total consideration under the Agreement is RMB385,000,000. The first power generating unit and the second power generating unit under the Project are expected to be delivered for trial production on around 30 June 2019 and 31 July 2019 respectively.

IMPLICATIONS UNDER THE LISTING RULES

The Contract Letting Party is an indirect wholly-owned subsidiary of the Company. The Contractor is a subsidiary of SPIC, an indirect substantial shareholder of the Company. The Contractor is therefore an associate of a substantial shareholder of the Company and a connected person of the Company for the purpose of the Listing Rules. As such, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Agreement will also constitute a discloseable transaction which is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Agreement exceeds 5%, the Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened to seek the Independent Shareholders' approval regarding the Agreement. Being associates of SPIC, China Power International Holding Limited and China Power New Energy Limited will abstain from voting at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the Agreement) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Agreement and to advise the Independent Shareholders on how to vote. Challenge Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Agreement, a letter from the Independent Board Committee and a letter from the Independent Financial Advisor and the notice of the EGM will be despatched to the shareholders of the Company on or around 13 March 2018, as more time is needed to finalise the content of the circular.

INTRODUCTION

The Parties entered into the Agreement pursuant to which the Contractor has agreed to complete the engineering, procurement and construction of the Project on behalf of the Contract Letting Party.

THE AGREEMENT

Date

The Agreement was entered into on 6 February 2018 and will become effective upon the approval by the Independent Shareholders.

Parties

- (i) the Contract Letting Party (as contract letting party); and
- (ii) the Contractor (as contractor).

Scope of Work

The Contractor shall be responsible for the engineering, procurement and construction work of the Project, including, without limitation, survey and design, procurement of equipment and materials, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, completion certification, handover of production, performance quality assurance and follow-up services covering the quality warranty period of the entire Project.

Time for delivery

The first power generating unit and the second power generating unit under the Project are expected to be delivered for trial production on around 30 June 2019 and 31 July 2019 respectively.

Consideration and payment terms

- (1) The Contract Letting Party shall pay the Contractor a total consideration of RMB385,000,000, which consists of RMB239,215,765 for construction and installation work; RMB130,344,235 for the purchase of equipment; RMB5,200,000 for design and RMB10,240,000 for the management of the construction process and other fees.
- (2) Within 14 days of the date on which the Agreement comes into effect, upon the Contractor submitting an irrevocable performance guarantee, the Contract Letting Party shall make payment to the Contractor amounting to RMB12,472,788.25 as the first pre-payment, being 5% of the total consideration excluding equipment fees and design fees. Within 14 days after the Contractor has been stationed at the site and the first can of concrete has been poured into the garbage pond, the Contract Letting Party shall pay the Contractor RMB12,472,788.25 as the second pre-payment, being 5% of the total consideration excluding equipment fees and design fees.
- (3) Within 3 days after receiving the progress payment application, the supervising engineer shall preliminarily inspect the progress and audit the fees payable. Within 3 days after receiving the monthly report on the amount payable, the Contract Letting Party shall issue the interim payment certificate and make the payment to the Contractor within 28 days after the date of the issuance of such interim payment certificate. The interim payment terms are as follows:
 - (i) Construction and installation work: Payment of the construction and installation work would be in accordance with the stages of completion. The Contractor would make a progress payment application after completing a certain stage of the work. After being audited by the supervisory unit and confirmed by the Contract Letting Party, the amount payable by the Contract Letting Party would be proportional to that part of the work to the construction and installation fee as specified in the Agreement minus (a) 3% of that amount as quality assurance deposit, (b) 2% of that amount as safety charges and (c) other costs. When 85% of the total payment for the work has been paid by the Contract Letting Party, the Contractor would issue a fee note for the rest of the outstanding amount minus 3% as quality assurance deposit. After the completion of the work, the Contract Letting Party would pay the amount payable under the fee note minus other costs.
 - (ii) In respect of the equipment and materials used for the construction and installation work, the Contractor would propose the purchase payment plan for next month and this amount would be included in the progress payment application for this month, and the amount for the equipment and materials would be paid in accordance with the contract entered into between the Contractor and the supplier after this has been approved by the Contract Letting Party.

(4) Design fees

- (i) Preliminary design fee: The Contract Letting Party shall pay 20% of such fee to the Contractor within 10 days after entering into the Agreement. Within 30 days of the approval of the preliminary design, the Contract Letting Party shall pay the rest of the preliminary design fee.
- (ii) Construction and survey design fee for the main construction: The Contract Letting Party shall pay 10% of such fee to the Contractor after the master design has been approved by the Contract Letting Party. Such fee shall then be payable in accordance with the progress of the design, and 50% would be payable after the civil construction design of the main factory building has been completed. 85% of such fee would be payable after all the designs have been completed. 97% of such fee would be payable after the second power generating unit has passed the 72 hours trial run. 3% of the construction and survey design fee would be quality assurance deposit and would be payable one year after the commencement of the operation of the power plants if there is no problem with the quality of the design and all the designs have been handed over. The whole amount of such fee would be payable within 30 days after all the designs have been handed over and checked.
- (iii) The rest of the design fee would be paid in accordance with the progress. 50% of such fee would be payable after half of such designs have been completed, and 100% would be payable after all such designs have been completed.

(5) Management fees and other fees would be paid by the Contract Letting Party to the Contractor in accordance with the Agreement.

(6) Within 28 days of the Contract Letting Party accepting the completion settlement statement and the Contractor completing the audit relating to the completion of the Project, the Contractor shall submit the final payment invoice to the Contract Letting Party. The Contract Letting Party shall issue the final payment certificate within 7 days of it reviewing and determining that the final payment invoice is in order.

(7) The quality assurance deposit is 10% of the price in respect of equipment and 3% of the total amount of settlement upon completion of the Agreement in respect of other fees. The Contract Letting Party shall refund the quality assurance deposit to the Contractor within 30 days after the first anniversary of the second power generating unit commencing operation.

(8) The Company intends to finance the Project using its internal resources.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Project was awarded to the Contractor by way of tender under which bidders were assessed with reference to their quotations, specialized technological know-hows, equipment, facilities, personnel and practical experience. After conducting an overall evaluation of the tender proposals, the Project

was awarded to the Contractor on the basis that it obtained the highest total score, and the terms of the Agreement were determined after arm's length negotiations between the respective parties thereto. The Directors are of the view that the terms of the Agreement are no less favourable to the Company than the terms available from independent third parties.

This Project will be constructed under the principle of coordination and sharing of resources across different regions. While effectively solving the problems of urban waste treatment in Shangqiu through detoxification, reduction and recycling in waste treatment, this Project will also significantly lower the levels of pollutant emissions and effectively protect the environment, which are in line with the strategic goals of the Company's commitment in the development of renewable energy.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Wang Fengxue, an executive Director of the Company, is deemed to have a material interest in the Agreement as he holds the position of the Nuclear Power Director of SPIC. Mr. Zhao Xinyan, an executive Director of the Company, is deemed to have a material interest in the Agreement as he holds the positions of Capital Operation Director and General Manager of the Department of Capital Operation of SNPTC. Both Mr. Wang Fengxue and Mr. Zhao Xinyan have abstained from voting on the relevant Board resolutions in respect of the Agreement. Except for Mr. Wang Fengxue and Mr. Zhao Xinyan for the reasons stated above, none of the Directors has material interest in the transaction contemplated under the Agreement or is required to abstain from voting on the Board resolutions in relation to the Agreement and the transaction contemplated therein.

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

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 industry and property investments. The Contract Letting Party is an indirect wholly-owned subsidiary of the Company and is principally engaged in power generation and sale of electricity.

Information on the Contractor

The Contractor is a subsidiary of SPIC established in 2006 which is principally engaged in engineering and construction project management, exploration design, project supervision and consultation and international projects contracting. It is qualified as the First Class power engineering contractor, First Class overseas projects contracting operator, Grade A supervisor, Grade A commissioner, Grade B designer, project consultant and bidding agent etc. in China. The Contractor

is ranked as the national “high-tech enterprise” and “AAA” credit enterprise of the electricity industry, and many of the projects undertaken by it have won the China Construction Engineering Luban Prize (中國建築工程魯班獎) and the Premium Quality Power Construction Prize in China (中國電力優質工程獎).

IMPLICATIONS UNDER THE LISTING RULES

The Contract Letting Party is an indirect wholly-owned subsidiary of the Company. The Contractor is a subsidiary of SPIC, an indirect substantial shareholder of the Company. The Contractor is therefore an associate of a substantial shareholder of the Company and a connected person of the Company for the purpose of the Listing Rules. As such, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Agreement will also constitute a discloseable transaction which is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Agreement exceeds 5%, the Agreement is subject to the reporting, announcement and Independent Shareholders’ approval requirements of Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened to seek the Independent Shareholders’ approval regarding the Agreement. Being associates of SPIC, China Power International Holding Limited and China Power New Energy Limited will abstain from voting at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the Agreement) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Agreement and to advise the Independent Shareholders on how to vote. Challenge Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Agreement, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser and the notice of the EGM will be despatched to the shareholders of the Company on or around 13 March 2018, as more time is needed to finalise the content of the circular.

DEFINITIONS

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

“Agreement”	the agreement in relation to the engineering, procurement and construction work for the Project entered into between the Contract Letting Party and Contractor dated 6 February 2018
“associate”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“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
“Contract Letting Party”	商丘中電環保發電有限公司, a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“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 and SNPTC
“Director(s)”	directors(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Agreement and the transaction contemplated therein
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of independent non-executive Directors, consisting Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum, which has been formed to advise the Independent Shareholders in relation to the Agreement

“Independent Financial Adviser” or Challenge Capital	Challenge Capital Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Agreement
“Independent Shareholders”	the shareholders of the Company other than SPIC and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Contract Letting Party and the Contractor
“PRC” or “China”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Project”	construction of a domestic garbage incineration power plants in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SNPTC”	State Nuclear Power Technology Corporation (國家核電技術公司). The Contractor is its wholly-owned subsidiary
“SPIC”	State Power Investment Corporation Limited (國家電力投資集團有限公司), a substantial shareholder of the Company and the parent company of the Contractor and SNPTC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

* *English or Chinese translation, as the case may be, is for identification only*

By order of the Board

China Power Clean Energy Development Company Limited

Wang Binghua

Chairman

Hong Kong, 6 February 2018

As at the date of this announcement, the board of directors of the Company 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.