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**中國廣核電力股份有限公司**  
**CGN Power Co., Ltd.\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1816)**

**ANNOUNCEMENT**

**(1) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
THE TARGET INTERESTS FROM CGN**  
**(2) CONTINUING CONNECTED TRANSACTIONS**

**THE ACQUISITION**

The Board is pleased to announce that, on September 25, 2016, the Board considered and approved the resolution on entering into and signing the Share Transfer Agreement between our Company (as the purchaser) and CGN (as the vendor). Pursuant to the Share Transfer Agreement, CGN should sell, and our Company should acquire the Target Interests, namely 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering at an aggregate Consideration of approximately RMB9,920.50 million (subject to adjustment as described in this announcement).

CGN, which held approximately 64.20% of the issued share capital of our Company, is the controlling shareholder, and hence a connected person, of our Company. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition therefore constitutes a major transaction and a connected transaction of our Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS**

### **1. PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **(i) *Final Project Support and Supply of Technology Agreement with EDF***

The Final Project Support and Supply of Technology Agreement was entered into among Taishan Nuclear and EDF on August 10, 2008, pursuant to which EDF shall provide certain project support and supply of technology services to Taishan Nuclear, and shall be valid for the entire term of the joint venture contract for the establishment of Taishan Nuclear entered into between EDF and CGN in respect of Taishan Nuclear. The Board considered and approved the resolution in determining the annual caps for the years ending December 31, 2017 and 2018 in respect of the continuing connected transactions contemplated under the Final Project Support and Supply of Technology Agreement with EDF.

EDF International and EDF (China) Holding Ltd., being direct and indirect subsidiaries of EDF, together hold 30% equity interest in Taishan Nuclear, a subsidiary of our Company. EDF is therefore a substantial shareholder at the subsidiary level of our Company under Rule 14A.06(9) of the Listing Rules and our connected person.

#### **(ii) *2016 Technical Support and Maintenance Services Framework Agreement***

As a continuation of the 2014 Technical Support and Maintenance Services Framework Agreement, our Company entered into the 2016 Technical Support and Maintenance Services Framework Agreement with CGN on September 25, 2016 for a term of three years effective until 31 December 2018. The Board considered and approved the resolution in determining the annual caps for the years ending 31 December 2016, 2017 and 2018 in respect of the continuing connected transactions contemplated under the 2016 Technical Support and Maintenance Services Framework Agreement.

(iii) *Listing Rules Implications*

As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps under the Partially Exempt Continuing Connected Transactions exceed 0.1% but all of the applicable percentage ratios are less than 5% on an annual basis, the Final Project Support and Supply Technology Agreement with EDF, the 2016 Technical Support and Maintenance Services Framework Agreement and the continuing connected transactions contemplated thereunder constitute *de minimis* transactions for our Company under Rule 14A.76(2) of the Listing Rules and are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**2. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

(i) *2016 General Services Framework Agreement*

As a continuation of the 2014 General Services Framework Agreement, our Company entered into the 2016 General Services Framework Agreement with CGN on September 25, 2016 for a term of three years effective until 31 December 2018. A resolution will be submitted to the EGM for the Independent Shareholders to consider and approve the 2016 General Services Framework Agreement and the Proposed Annual Caps for the years ending 31 December 2016, 2017 and 2018 in respect of the continuing connected transactions contemplated under the 2016 General Services Framework Agreement.

(ii) *Supplemental Agreement to the 2014 Engineering Services Framework Agreement*

Our Company entered into the supplemental agreement to the 2014 Engineering Services Framework Agreement with CGN on September 25, 2016 to revise the 2014 Engineering Services Framework Agreement. A resolution will be submitted to the EGM for the Independent Shareholders to consider and approve the supplemental agreement to the 2014 Engineering Services Framework Agreement and the Revised Annual Caps for the years ending 31 December 2016, 2017, 2018 and 2019 in respect of the continuing connected transactions contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement.

**(iii) *Supplemental Agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement***

Our Company entered into the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement with CGN on September 25, 2016 to revise the Approved Annual Caps for the continuing connected transactions contemplated under the 2014 Nuclear Fuel Supply and Services Framework Agreement. A resolution will be submitted to the EGM for the Independent Shareholders to consider and approve the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement and the Revised Annual Caps for the years ending 31 December 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 in respect of the continuing connected transactions contemplated under the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement.

**(iv) *Listing Rules Implications***

As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps under the 2016 General Services Framework Agreement exceed 5% but all of the applicable percentage ratios are less than 25% on an annual basis, the 2016 General Services Framework Agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the supplemental agreement to the 2014 Engineering Services Framework Agreement and the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement exceed 25% but all of the applicable percentage ratios are less than 100% on an annual basis, such supplemental arrangements, the Revised Annual Caps and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

Our Company will convene the EGM to consider and approve, if thought fit, matters stated in the notice of the EGM. A circular containing (among other things) (i) further details of the Acquisition; (ii) further details of the Non-exempt Continuing Connected Transactions; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Non-exempt Continuing Connected Transactions; (iv) the advice of independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Non-exempt Continuing Connected Transactions; (v) the financial information of the Target Companies; (vi) the summary asset valuation reports of the respective Target Companies; (vii) the comfort letters in respect of the discounted cash flows contained in each of the asset valuation report of 61% equity interest in Fangchenggang Nuclear and 100% equity interest in CGN Engineering; and (viii) the notice convening the EGM, will be dispatched to the Shareholders on or before September 30, 2016.

**The transactions contemplated under this announcement are subject to the satisfaction or waiver (where applicable) of a number of conditions and, accordingly, may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares or other securities of our Company.**

## **(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET INTERESTS FROM CGN**

### **1. BACKGROUND**

Reference is made to the paragraphs headed “History, Reorganization and Corporate Structure – Our History and Development – Retained Business and Non-competition” and “Relationship with Controlling Shareholder – Non-competition deed and undertakings” of the Prospectus in relation to the Acquisition Right granted by CGN to our Company to acquire the equity interests in certain CGN’s controlled nuclear power businesses which compete or are likely to compete with the business of our Group.

On September 25, 2016, our Company exercised the Acquisition Right in respect of the Target Interests, and our Company (as the purchaser) entered into the Share Transfer Agreement with CGN (as the vendor). Pursuant to the Share Transfer Agreement, CGN agreed to sell and our Company agreed to purchase the Target Interests. As one of the requirements set out in the Prospectus, the exercise of the Acquisition Right has been reviewed, considered and approved by the independent non-executive Directors.

## **2. SHARE TRANSFER AGREEMENT**

### **(A) Principal terms**

#### ***Date***

September 25, 2016

#### ***Parties***

- (i) CGN as the vendor; and
- (ii) our Company as the purchaser.

#### ***Subject matter***

The parties agreed that on and subject to the terms and conditions of the Share Transfer Agreement, CGN should sell, and our Company should acquire the Target Interests, namely 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering.

The parties also agreed that CGN Engineering will dispose of its 60% equity interest in China Techenergy prior to Completion of the Acquisition, the consideration is determined with reference to the audited net asset value of China Techenergy as of the Appraisal Base Date (net asset value corresponding to 60% equity interest is approximately RMB238 million) .

The reason for CGN Engineering to dispose of its 60% equity interest in China Techenergy is the difference in business and development orientation between our Group and China Techenergy. After the Acquisition, the operation, management and maintaining of nuclear power stations, supplying of nuclear power-based electricity generated by these stations and provision of engineering management services and related professional technical services will remain as the principal businesses of our Group, while China Techenergy currently principally engages in the design and manufacture of digital instrumentation & control system and will proactively expand

its business to non-nuclear power sectors in the future, and make the business of non-nuclear power sectors to become an important part of its business. Thus the disposal of 60% equity interest in China Techenergy will allow a clearer delineation of our business.

We expect the disposal of China Techenergy will be completed in November 2016.

### ***Consideration***

Pursuant to the Share Transfer Agreement, the Consideration payable by our Company to CGN for acquiring the Target Interests is approximately RMB9,920.50 million (subject to the valuation filed with the relevant authority and the adjustment as described in the paragraph headed “Adjustment to Consideration” below), which will be settled in cash.

### ***Adjustment to Consideration***

Pursuant to the Share Transfer Agreement, the Consideration payable by our Company to CGN will be adjusted in the following manners:

- (i) as the valuation of Lufeng Nuclear is based on the asset-based approach valuation results, any change and resulting gain or loss in its net asset value arising from the ordinary course of business between the Appraisal Base Date (exclusive of such date) and the date of Completion (inclusive of such date) (the “**Interim Period**”), as determined in accordance with the special audit report prepared based on the PRC enterprise accounting standards and issued by a qualified accounting firm as agreed between our Company and CGN, shall be borne by CGN. As of the date of Completion, in the case of (a) an increase in the net asset value of Lufeng Nuclear during the Interim Period as a result of profits gained or other reasons (excluding any increase due to the revaluation of assets), our Company shall correspondingly increase the Consideration payable to CGN; or (b) a decrease in the net asset value of the Lufeng Nuclear during the Interim Period due to any losses made or other reasons, our Company shall correspondingly decrease the Consideration payable to CGN;
- (ii) as the valuation of Fangchenggang Nuclear and CGN Engineering (excluding China Techenergy) is based on the income approach valuation results, any change and the resulting gain or loss arising from the ordinary course of business in their net asset value during the Interim Period shall be borne by our Company, and such change arising from the ordinary course of business of Fangchenggang Nuclear and CGN Engineering (excluding China Techenergy) as of the date of Completion shall not affect the Consideration;

(iii) in the event that CGN makes a capital injection in cash into the Target Companies during the Interim Period, our Company shall correspondingly increase the Consideration payable to CGN in the same amount of such capital injection. The capital injection in cash from CGN into Fangchenggang Nuclear shall be made in proportion to the respective equity interests held by the shareholders of Fangchenggang Nuclear, which portion shall not be changed during the Interim Period; and

(iv) in the event that any Target Companies distribute cash dividend to CGN during the Interim Period, our Company shall correspondingly decrease the Consideration payable to CGN in the same amount of such cash dividend.

Since Lufeng Nuclear has not achieved FCD, we expect that the adjustment amount of the net asset value arising from our daily operations during the Interim Period will be very small. Based on our understanding, CGN has no plan to conduct capital injection for the Target Companies during the Interim Period. During such period, it is expected that cash dividends to be made by the Target Companies to CGN will not exceed RMB1.5 billion and all of such dividends are attributable to the cash dividends distributed by CGN Engineering to CGN. The Consideration to be made by our Company to CGN is expected to reduce by a corresponding amount, if any.

### ***Payment***

Consideration in the amount of approximately RMB9,920.50 million (subject to the valuation filed with the relevant authority and the adjustment as described in the paragraph headed “Adjustment to Consideration” above) payable by our Company to CGN for acquiring the Target Interests will be settled by our Company by installments: (i) the first installment of RMB3,000.00 million will be payable by our Company within 5 business days after the Share Transfer Agreement becomes effective following the fulfilment of the conditions precedent as described in the paragraph headed “Conditions Precedent” below; and (ii) the remaining Consideration will be payable within a year from the date the Share Transfer Agreement becomes effective, and the interest for such remainder amount for the period from the first instalment payment date to the remainder amount payment date (both dates exclusive) will be paid to CGN together with such remaining Consideration with reference to the benchmark lending rate published by the People’s Bank of China under the same period and same grade with a downward adjustment of a rate of 10%.



It is currently anticipated that the Consideration will be funded by the internal resources of our Group and other available sources of funding, including but not limited to potential debt and/or equity financing. As of the date of this announcement, our Company has not determined any plans for debt and equity financing for the purpose of the Acquisition. The payment obligation of our Company in relation to the remaining amount under the Share Transfer Agreement will be guaranteed by CGN Nuclear Power Operations Limited (中廣核核電運營有限公司), a wholly owned subsidiary of our Company. CGN Nuclear Power Operations Limited is a limited liability company established in the PRC on August 3, 2012.

### ***Conditions precedent***

The Share Transfer Agreement shall become effective conditional upon the satisfaction of the following conditions precedent:

- (i) the Share Transfer Agreement is executed by the respective legal or authorized representatives of CGN and our Company and affixed with the company seals; and
- (ii) the Share Transfer Agreement and the transactions contemplated thereunder having obtained all necessary consents or approvals, including (a) the approval by CGN; (b) the filing of the relevant asset valuation reports with respect to the valuation of the equity interest of the Target Companies; (c) the approval by the Board of Directors of our Company and (d) the approval by the Independent Shareholders at the EGM in compliance with all applicable requirements under the Listing Rules.

All of the conditions precedent above cannot be waived. As of the date of this announcement, except for condition (ii)(d), the above conditions precedent had been fulfilled.

### ***Completion***

The date of Completion shall take place on the last calendar day of the calendar month in which all conditions precedent as set out in the Share Transfer Agreement are fully satisfied or waived (i.e. the date on which the Share Transfer Agreement becomes effective) or such other date as agreed in writing by our Company and CGN. The date of Completion shall mean the date of completing the Acquisition in accordance with the Share Transfer Agreement and the inclusion of the Target Companies in the consolidated financial statements of our Company.

## ***Indemnity***

CGN has agreed to fully indemnify our Company for any actual losses incurred by our Company as a result of any potential material litigation, arbitration, administrative penalties, violations of laws and/or regulations or any other reasons arising from any conduct on the part of any of the Target Companies or its subsidiaries sold by CGN occurred prior to Completion, provided that such losses had not been deducted from or reflected in the Consideration.

### **(B) Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the parties with reference to the valuation of the equities of the Target Companies attributable to the Target Interests by China Enterprise Appraisals, a qualified independent valuer, as of the Appraisal Base Date.

According to the asset valuation reports of China Enterprise Appraisals, the aggregated valuation of the Target Interests to be acquired pursuant to the Acquisition was approximately RMB9,920.50 million as of the Appraisal Base Date. Such Target Interests represent 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering which have respective values of approximately RMB4,183.34 million, RMB910.28 million and RMB4,826.88 million. The valuation of the Target Companies were conducted in accordance with the PRC legal requirements applicable to the valuation of state-owned assets.

China Enterprise Appraisals prepared the valuation of Fangchenggang Nuclear and CGN Engineering based on two valuation methods, namely the income approach and the asset-based approach, and considered the income approach which adopts the discounted cash flow method as the appropriate approach for the valuation of Fangchenggang Nuclear and CGN Engineering. The value of the 60% equity interest in China Techenergy, which will be disposed of by CGN Engineering prior to the Completion of the Acquisition and will no longer be held by CGN Engineering, is accounted for in the valuation of CGN Engineering using the corresponding audited net asset value of such equity interest as of the Appraisal Base Date.

Under the income approach, the China Enterprise Appraisals appraised the value of the shareholders' equity based on the enterprise value of Fangchenggang Nuclear and CGN Engineering with reference to their respective operational assets, surplus assets, non-operational assets and external long-term investments, and deducting interest-bearing liabilities. Given (i) Fangchenggang Nuclear and CGN Engineering

had commenced commercial operation and had generated stable income before the Appraisal Base Date with historical operating financial information for reference and (ii) the respective value of Fangchenggang Nuclear and CGN Engineering depends primarily on their respective future income instead of only on their assets, the income approach is considered as appropriate and objective for their valuation to reflect their respective future cash generation capability. In particular, Fangchenggang Unit 1 has commenced commercial operation on January 1, 2016, and has been generating electricity with relatively mature technology.

The valuation of Lufeng Nuclear was based on the asset-based approach valuation results. In respect of Lufeng Nuclear, such approach was adopted given it is currently at the preparatory phase and had not yet commenced commercial operation before the Appraisal Base Date, hence its future cash generation capability is generally less predictable as there is no historical operating financial information available.

According to the opinion from China Enterprise Appraisals, the independent valuer, in respect of the valuation of Fangchenggang Nuclear and CGN Engineering, as the purchaser and the vendor involved in the transfer of equity interest will focus on future revenue of the respective enterprises, the adoption of the income approach for each of Fangchenggang Nuclear and CGN Engineering for their respective asset valuation is the preferred choice. For the valuation of Lufeng Nuclear, it is currently at the preparatory phase and its production date will be in the distant future. Hence, its revenue cannot be accurately predicted and only the asset-based approach could be adopted for its appraisal. In view of the aforesaid reasons, the Board of our Company considers that the above valuation approaches adopted for Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear respectively, are fair and reasonable.

As the valuation of Fangchenggang Nuclear and CGN Engineering adopted the income approach valuation results, each of such valuation respectively constitutes a profit forecast under Rule 14.61 of the Listing Rules. The principal assumptions on which such profit forecast was based are set out below:

***General assumptions adopted for Fangchenggang Nuclear and CGN Engineering***

- (i) Fangchenggang Nuclear and CGN Engineering will continue to operate on a going concern basis after the Appraisal Base Date;
- (ii) there will be no material change in the political, economic and social environment of the country and region where Fangchenggang Nuclear and CGN Engineering are located after the Appraisal Base Date;

- (iii) there will be no material change in the macroeconomic policies, industry policies and regional development policies of the country after the Appraisal Base Date;
- (iv) there will be no material change in interest rates, exchange rates, tax bases and tax rates and administrative charges that are relevant to the Fangchenggang Nuclear and CGN Engineering after the Appraisal Base Date;
- (v) Fangchenggang Nuclear and CGN Engineering will operate under a responsible and stable management team which is capable of performing its duties after the Appraisal Base Date;
- (vi) CGN Engineering and Fangchenggang Nuclear will fully comply with all applicable laws and regulations; and
- (vii) there will be no material adverse impact on Fangchenggang Nuclear and CGN Engineering from force majeure event after the Appraisal Base Date.

***Other assumptions adopted for Fangchenggang Nuclear***

- (i) Fangchenggang Nuclear will adopt accounting policies that are consistent in material aspects with those adopted in the preparation of its asset valuation report after the Appraisal Base Date;
- (ii) Fangchenggang Nuclear will keep their business scope and model in line with those currently under the existing management model and level after the Appraisal Base Date;
- (iii) the cash inflows and outflows of Fangchenggang Nuclear after the Appraisal Base Date are even; and
- (iv) the grid power price for operating Units in the next calendar year taking account the expected determination of relevant nuclear policy of the future electricity market based on the level of the grid power price as of the Appraisal Base Date, and the determination of grid power price for Units yet to commence commercial operation will be at the same level as that applicable to operating Units.

### ***Other assumptions adopted for CGN Engineering***

- (i) CGN Engineering will adopt accounting policies that are consistent in all material aspects with those adopted in the preparation of the relevant asset valuation report after the Appraisal Base Date;
- (ii) CGN Engineering will keep their business scope and model in line with those currently under the existing management model and level after the Appraisal Base Date;
- (iii) the cash inflows and outflows of CGN Engineering after the Appraisal Base Date are even;
- (iv) the continuing enforcement of national policies and preferential tax treatment in favour of high-new technologies enterprise;
- (v) CGN Engineering are entitled to the benefits of above-mentioned national policies and preferential treatments;
- (vi) there will be no fundamental changes to CGN Engineering's operation, organisation and production; and
- (vii) there will be no material change in interest rates, exchange rates, tax bases and tax rates and administrative charges.

Further information in relation to the discounted future cash flows in connection with the valuation of equity interests in Fangchenggang Nuclear and CGN Engineering, including the relevant comfort letters from our Company's auditors and financial adviser respectively will be included in the circular to be published in relation to the Acquisition.

### **3. INFORMATION ON THE PARTIES**

#### **Our Group**

Our Group operates and manages nuclear power stations, sells electricity generated by these stations, and manages and oversees the construction of nuclear power stations, and organizes and develops the design and R&D of nuclear power stations.

Through years of nuclear power station operation and management, we have accumulated capitals in areas such as production capital, intellectual capital, human capital, financial capital, environment capital and social and relationship capital. As of June 30, 2016, the number of operating nuclear power generating units operated and managed by us reached 16 (including those as entrusted by CGN), with a total installed capacity of 17,090 MW; particularly, Yangjiang Unit 3 and Fangchenggang Unit 1 (as entrusted to us by CGN for management) have respectively commenced commercial operation on January 1, 2016. As of June 30, 2016, the number of nuclear power generating units under construction operated and managed by us reached 12 (including those as entrusted by CGN), with a total installed capacity of 14,650 MW. The total installed capacity of nuclear power generating units operated and managed by our Group that are in operation and under construction accounted for approximately 59.79% and 49.71% of market shares in the PRC, respectively. In addition, Ningde Unit 4, which has an installed capacity of 1,089 MW, has completed all commissioning work and has commenced commercial operation on July 21, 2016, and has obtained Electric Power Business Permit. Hongyanhe Unit 4, which has an installed capacity of 1,119 MW, has completed all commissioning work on September 19, 2016. It is qualified for commercial operation and has commenced on-grid power generation statistics.

## **CGN**

Established on September 29, 1994, CGN is a large clean energy enterprise under supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGN Group is principally engaged in the generation and sale of power, and the construction, operation and management of nuclear and non-nuclear clean projects. As of the date of this announcement, CGN held approximately 64.20% of the issued share capital of our Company and is the controlling shareholder of our Company.

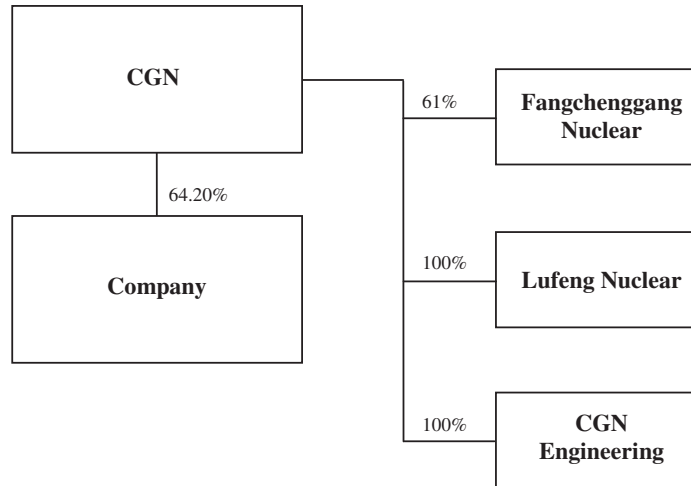
## **Target Companies**

Details of the Target Companies are set out under the heading “5. Information on the Target Companies” below.

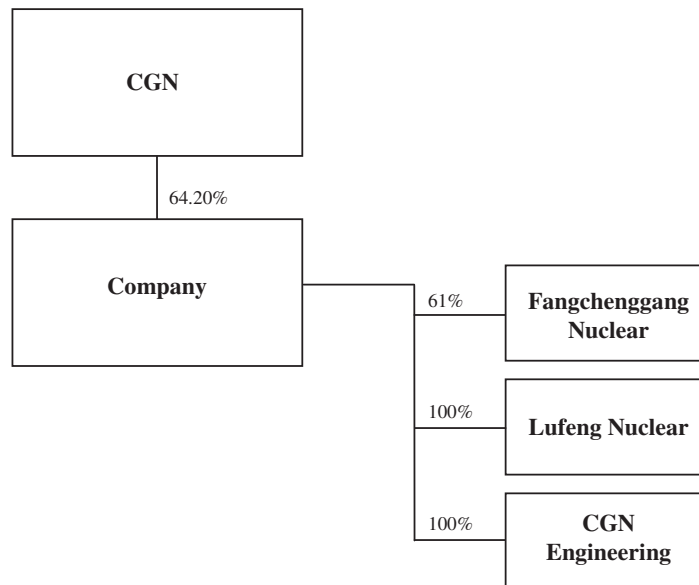
## Relationship between the parties

The followings illustrate the simplified shareholding structure of our Company, CGN and the Target Companies as of the date of this announcement and immediately after the Completion:

*As of the date of this announcement*



*Immediately after the Completion*



#### 4. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers that the Acquisition is beneficial to and in the best interest of our Company, having taken into account the following reasons:

- (1) *Further consolidating our strategic position as CGN's sole platform for nuclear power generation and further enhancing our long-term competitiveness*

As disclosed in the Prospectus, our Company is positioned as CGN's sole platform for nuclear power generation. Pursuant to the Non-competition Deed dated November 21, 2014 entered into by CGN in favour of our Company, CGN has given certain non-competition undertakings to our Company (for itself and for the benefits of other members of our Group), to the effect that it would not, and it would procure that its associates and connected persons (other than any members of our Group) do not and would not, directly or indirectly, carry on, participate, be interested or engaged in or acquire or hold any business or activity in the PRC or overseas that is in competition with, or is likely to be in competition with, the business carried on by our Group during the agreed restricted period. To avoid competition between CGN Group and our Group, CGN Group has also granted us a right, which is exercisable during the term of the Non-competition Deed, to acquire on one or more occasions any equity interest, asset or other interests in respect of the Retained Business carried out by CGN Group.

With the right to acquire the Retained Business in accordance with the Non-competition Deed, we are entitled to acquire or invest in the nuclear power projects that are being planned or constructed by CGN Group. This undertaking shall continue to be effective until CGN ceases to be our Controlling Shareholder, or we cease to be listed on the Stock Exchange. As disclosed in the Prospectus, Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering belong to the Retained Business. Accordingly, the Acquisition could reduce the industry competition between our Group and CGN Group. For further details, please refer to the disclosure under "History, Reorganization and Corporate Structure — Our History and Development — Retained Business and Non-competition" and "Relationship with Controlling Shareholder — Non-competition deed and undertakings" of the Prospectus.



Fangchenggang Nuclear is the only nuclear project company under the Retained Business which holds Units having commenced commercial operation. As of the date of this announcement, Fangchenggang Unit 1 has commenced commercial operation on January 1, 2016, whereas Fangchenggang Unit 2 will complete construction in the near future and is expected to commence commercial operation in the second half of 2016. In addition, ranking after Fangchenggang Nuclear, Lufeng Nuclear, which is another nuclear project company under the Retained Business which demonstrates the fastest progress in its construction and regulatory approval process, has obtained the letter of approval from NDRC to carry out preparatory work, and it is the nuclear power project among the Retained Business that is most likely to achieve FCD in a recent time.

Through the acquisition of 61% equity interest in Fangchenggang Nuclear, installed capacity in operation and under construction owned by our Company will be increased to 1,086 MW and 3,446 MW respectively; through the acquisition of 100% equity interest in Lufeng Nuclear, our Company will have an additional installed capacity of 2,500 MW for nuclear projects under reserve. We will have direct control over all of the operating nuclear power units of CGN Group (excluding associated companies and joint ventures), as well as increasing our nuclear projects under reserve.

As for our Company, the expansion of the installed capacity in operation and under construction is not only an effective means to achieve growth in nuclear power generating capacity and business performance, but also a crucial way to increase our market share and competitiveness in the long run. The Acquisition is for the benefit of accelerating the expansion of the scale of our installed capacity in operation, under construction and potential installed capacity, and fulfilling CGN's strategic position as the sole platform for nuclear power and further consolidating our Company's leading position in the industry.

***(2) Substantially improving our construction and management capability and reducing our nuclear power construction costs in the long-term while increasing our overall nuclear power operation ability***

CGN Engineering, together with its subsidiaries, is one of the few nuclear power construction companies that possesses the capabilities to develop nuclear power projects in China. The acquisition of CGN Engineering will greatly improve our capability in designing, managing and constructing nuclear power stations.

The capabilities in design, R&D, technology integration, project management and quality of constructions could directly impact the construction costs, safety and operation of nuclear power stations. Upon the acquisition of CGN Engineering, we

are able to more efficiently integrating such capabilities in design engineering, technology integration, project management, construction and operation of nuclear power station through extending our business segments in the nuclear power industry chain hence increasing our overall capabilities in our nuclear power business.

In particular, including:

1. Exerting advantages of integrated management for the construction and operation of nuclear power stations. The construction planning and project progress of nuclear power stations could be more directly controlled and optimized, hence reducing construction costs.
2. After the acquisition of CGN Engineering, through internal integrated management, coordination efficiency could be optimized and hence the efficiency of CGN Engineering in its engineering construction management could be further enhanced.
3. The integration of production and engineering could enable us to implement the integrated procurement of construction project equipment and spare parts, in order to increase procurement efficiency and reduce procurement costs.
4. We would be able to manage the whole process of design, procurement, construction and operation, in order to achieve comprehensive cost control starting from the design of nuclear power stations.
5. We would be able to achieve smooth experience sharing between nuclear power projects under construction and nuclear power stations in operation, in order to enhance the safety, efficiency and profitability of the operational management of our nuclear power stations.

In addition, CGN Engineering has also been able to provide quality technical services for operating power stations and hence improving the performance of our operating nuclear power stations.

Prior to acquiring CGN Engineering, we paid reasonable fees to CGN Engineering for services relating to the design and construction of nuclear power stations, whilst CGN Engineering obtain reasonable earnings therefrom. Upon our acquisition of 100% equity interest in CGN Engineering, the revenue of CGN Engineering will be included into our consolidated financial statements, which in turn will reduce the overall external construction costs of our nuclear power projects under development.

**(3) *Expanding our nuclear power technologies to cope with future competition***

Fangchenggang Phase II and Lufeng Phase I adopt the technology of Hualong I and the third generation nuclear power technology of AP1000, in which, Hualong I is the nuclear power technology with proprietary intellectual property rights. Following our acquisition of Fangchenggang Nuclear and Lufeng Nuclear, we can expand the Company's nuclear power technologies to cope with future competition, and increase our abilities to develop nuclear power projects as well as our long-term profitability.

**5. INFORMATION ON THE TARGET COMPANIES**

Set out below is a brief description of each of the Target Companies:

**(1) *Fangchenggang Nuclear***

Fangchenggang Nuclear was established on September 3, 2008 in the PRC, which is held as to 61% by CGN and 39% by Guangxi Investment Group Limited (廣西投資集團有限公司), an independent third party to our Company. It is principally engaged in the investment, development, construction and operation of Fangchenggang Nuclear Power Station, as well as the importing and exporting of certain goods and technology. It currently operates the Fangchenggang Nuclear Power Station, which is in turn jointly operated by CGN and Guangxi Investment Group Limited. The registered capital of Fangchenggang Nuclear is RMB5,850,000,000.

Fangchenggang Nuclear plans to develop six gigawatt-level pressurized water reactor power generating units. With respect to Fangchenggang Phase I, it comprises of Fangchenggang Units 1 and 2, both the CPR1000 pressurized water reactor power generating units with a total installed capacity of approximately 2,172 MW. Fangchenggang Unit 1 has commenced commercial operation on January 1, 2016, whereas Fangchenggang Unit 2 is expected to commence commercial operation in the second half of 2016. As for Fangchenggang Phase II, including Fangchenggang Units 3 and 4, they respectively adopt the third generation nuclear power technology of Hualong I with proprietary intellectual property rights. Fangchenggang Unit 3 had commenced construction on December 24, 2015.

**(2) *Lufeng Nuclear***

Lufeng Nuclear was established on February 20, 2008 in the PRC. It is principally engaged in the investment, development, construction and operation of Lufeng Nuclear Power Station, as well as its sale and delivery of nuclear power. Its registered capital is RMB840,000,000.

Lufeng Phase I is the first nuclear power project in the area of eastern Guangdong Province which adopts AP1000 technology. The preparatory work of Lufeng Phase I was commenced in December 27, 2010, and has obtained the letter from the NDRC regarding the commencement of preparatory work. It is the nuclear power project within the Retained Business (except Fangchenggang Nuclear) that has the most rapid progress and that is most likely to achieve FCD in a recent time. The Lufeng Phase I project comprises of Lufeng Units 1 and 2, with a total installed capacity of approximately 2,500 MW.

### **(3) *CGN Engineering***

CGN Engineering was established on November 11, 1997 in the PRC and is a specialist-technology nuclear power project construction management company. It engages in a variety of businesses, principally including contracting, management, consultation, supervision of infrastructure such as nuclear power and conventional power and civil construction projects; engineering construction technology services and consultation; bidding agency for engineering construction projects; engineering design; engaging in import and export business. Its registered capital is RMB1,286,000,000.

As of June 30, 2016, CGN Engineering completed the construction of 12 Units, namely Lingdong Units 1 and 2, Hongyanhe Units 1, 2 and 3, Ningde Units 1, 2 and 3, Yangjiang Units 1, 2 and 3 and Fangchenggang Unit 1; CGN Engineering has undertaken construction engineering projects in building 12 Units, each with an installed capacity over a million-kilowatt and together with a total installed capacity of approximately 14,650 MW, ranking first in the world in terms of capacity of nuclear power station units to be constructed. Such projects include Hongyanhe Units 4, 5 and 6, Ningde Unit 4, Yangjiang Units 4, 5 and 6, Fangchenggang Units 2, 3 and 4 (Fangchenggang Units 3 and 4 adopt the model Unit of Hualong I, the third generation nuclear power technology with proprietary intellectual property rights) and Taishan Units 1 and 2, among which, Ningde Unit 4 has fulfilled the conditions of commercial operation on July 21, 2016, Hongyanhe Unit 4 has fulfilled the conditions of commercial operation on September 19, 2016.

In addition to nuclear power construction and management, CGN Engineering also engages in (1) technical services, where it provides technical services for our Company's nuclear power units in operation; and (2) other engineering businesses, primarily including energy engineering and application of nuclear technology.

China Techenergy, which principally engages in the business of the design and manufacture of digital instrumentation & control system, is owned as to 60% of its equity interest by CGN Engineering and 40% by Beijing Hollysys Co., Ltd. (北京和利時系統工程有限公司). CGN Engineering will dispose of its 60% equity interest in China Techenergy prior to Completion of the Acquisition, with the Consideration as determined with reference to the audited net asset value (net asset value corresponding to 60% equity interest is approximately RMB238 million) of China Techenergy as of the Appraisal Base Date.

The table below sets out certain information on the project in operation of Fangchenggang Nuclear:

Project Name/ Units	Effective interest acquired (%)	Commercial Operation date	Gross operational installed capacity (MW)	Weighted average on-grid tariff for the six months ended June 30, 2016 (RMB/kWh) <i>(inclusive of value-added tax)</i>	For the six months ended June 30, 2016			
					capacity factor	load factor	On-grid electricity (GWh)	Utilisation hours (Hours)
Fangchenggang Phase I - Fangchenggang Unit 1	61%	January 1, 2016	1,086.00	0.4089 <sup>Note</sup>	99%	78.67%	3,436.11 <sup>Note</sup>	3,436

*Note: The total on-grid electricity generated by Fangchenggang Unit 1 was 3,436.11 GWh from January 1, 2016 to June 30, 2016, of which planned on-grid electricity was 3,318.90 GWh, for which the on-grid tariff inclusive of value-added tax was RMB0.4140/kWh; market-dealing on-grid electricity was 117.21 GWh, for which the average on-grid tariff inclusive of value-added tax was RMB0.2640/kWh (the on-grid tariff of market-dealing electricity was determined by market competition) from January to June, 2016. Accordingly, from January to June, 2016, the weighted average on-grid tariff inclusive of value-added tax for all on-grid electricity of Fangchenggang Unit 1 was RMB0.4089/kWh.*

The table below sets out certain information on projects of Fangchenggang Nuclear and Lufeng Nuclear which are yet to commence commercial operation.

Province	Target Company	Project Name/ Units	Effective interest acquired (%)	Expected Commercial Operation date	Gross installed capacity under construction (MW)
Guangxi	Fangchenggang Nuclear	Fangchenggang Phase I	61%		
		- Fangchenggang Unit 2		Second half of 2016	1,086.00
		Fangchenggang Phase II	61%		
		- Fangchenggang Unit 3		2022	1,180.00
		- Fangchenggang Unit 4		—	1,180.00
Guangdong	Lufeng Nuclear	Lufeng Phase I	100%		
		- Lufeng Unit 1		—	1,250.00
		- Lufeng Unit 2		—	1,250.00

### ***KEY FINANCIAL INFORMATION OF THE TARGET COMPANIES***

The equity attributable to owners of the Target Companies as of December 31, 2015 and the profit (loss) attributable to owners of the Target Companies for the years ended December 31, 2014 and 2015 (prepared in accordance with the PRC enterprise accounting standards) of each Target Companies are set out below:

**As of December 31, 2015**  
(RMB'000)

#### **Equity attributable to owners of the Target Companies**

Fangchenggang Nuclear	5,717,442
CGN Engineering (including China Techenergy) <sup>(1)</sup>	3,689,093
Lufeng Nuclear	840,000

**Year ended December 31,**  
**2014**                      **2015**  
*(RMB'000)*                *(RMB'000)*

**Profit (loss) for the year attributable to owners  
of the Target Companies**

Fangchenggang Nuclear <sup>(3)</sup>	(25,975)	(26,372)
CGN Engineering (including China Techenergy) <sup>(2)</sup>	824,274	910,934
Lufeng Nuclear	0	0

- (1) As of December 31, 2015, the net assets of China Techenergy amounted to RMB386,281,790.
- (2) For the years ended December 31, 2014 and 2015, the net profit of China Techenergy amounted to RMB43,585,947 and RMB51,715,958, respectively.
- (3) Fangchenggang Unit 1 commenced commercial operation on January 1, 2016 and realised revenue from sales of electricity from January to March 2016 amounting to RMB607.90 million.

The accounting policies of the Target Companies are materially consistent with those of our Company. The followings are certain key financial information of the Target Companies (on a combined basis and prepared in accordance with International Financial Reporting Standards) *(Note)*:

	Year ended December 31,			Three months ended March 31,	
	2013 <i>(RMB'000)</i>	2014 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2015 <i>(RMB'000)</i>	2016 <i>(RMB'000)</i>
<b>Revenue</b>	<b>14,106,270</b>	<b>12,176,156</b>	<b>12,501,648</b>	<b>1,633,569</b>	<b>2,230,495</b>
<b>Included: Nuclear power operation and     sale of electricity</b>	—	—	—	—	607,858
Included: External sales	—	—	—	—	607,858
Inter-segment sales	—	—	—	—	—
<b>Engineering construction and     technical services</b>	<b>18,382,043</b>	<b>16,597,807</b>	<b>15,953,786</b>	<b>2,369,895</b>	<b>2,341,477</b>
Included: External sales	14,106,270	12,176,156	12,501,648	1,633,569	1,622,637
Inter-segment sales	4,275,773	4,421,651	3,452,138	736,326	718,840
<b>Elimination among segments</b>	<b>(4,275,773)</b>	<b>(4,421,651)</b>	<b>(3,452,138)</b>	<b>(736,326)</b>	<b>(718,840)</b>
<b>Profit (loss) before taxation</b>	<b>471,059</b>	<b>444,604</b>	<b>930,012</b>	<b>(84,705)</b>	<b>24,207</b>
<b>Included: Nuclear power operation and sale     of electricity</b>	<b>(33,846)</b>	<b>(86,630)</b>	<b>(20,014)</b>	<b>(56,299)</b>	<b>87,684</b>
Engineering construction and technical services	543,750	916,340	1,132,703	(23,770)	(60,808)
Elimination among segments	(38,845)	(385,106)	(182,677)	(4,636)	(2,669)
<b>Profit (loss) for the year/period attributable to:</b>					
Owners of the Target Companies	418,955	491,081	798,017	(45,690)	1,803
Non-controlling interests	(3,812)	(33,036)	29,094	(28,391)	27,423

	<b>At December 31,</b>			<b>At March</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>31,</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<b>2016</b>
				<i>(RMB'000)</i>
Total assets	48,500,371	56,291,958	64,565,704	65,140,522
Total equity	7,314,798	8,739,531	10,148,734	9,951,341

*Note: The above figures are unaudited. The audited figures will be included in the circular that proposed to be issued in connection with the Acquisition.*

The Target Companies' revenue mainly represents revenue from the nuclear power operation and sale of electricity and revenue from engineering construction and technical services for the relevant period.

Revenue from sale of electricity was entirely generated from sale of electricity by Fangchenggang Unit 1, which has commenced commercial operation on January 1, 2016. As Fangchenggang Unit 1 commenced commercial operation earlier than Fangchenggang Unit 2, the depreciation and interest expenses of the system and equipment shared by both of the Units were borne by Unit 1, which increases the cost of generating electricity during the course of operating Unit 1 singly.

Revenue from engineering construction and technical services were all attributable to CGN Engineering. In 2013, CGN Engineering's revenue mainly derived from the construction of Yangjiang, Ningde and Hongyanhe nuclear power projects. In 2014, as Yangjiang Unit 1 commenced commercial operation in March 2014, and Ningde Unit 2 and Hongyanhe Unit 2 commenced commercial operation in May 2014, revenue from nuclear power construction for CGN Engineering also reduced accordingly. In 2015, revenue from nuclear power construction for CGN Engineering remained flat as compared to 2014.

Revenue from engineering construction and technical services during the first quarter of 2015 was relatively lower, representing far less than one-fourth of the total revenue in 2015; revenue from engineering construction and technical services during the first quarter of 2016 remained flat as compared to the first quarter of 2015, which was mainly due to the fact that revenue from CGN Engineering is recognized in accordance with the standards for construction contracts and construction cost recognized in the current period will affect revenue and gross profit recognized in the current period. Generally, costs incurred from engineering construction are relatively lower at the beginning of each year because of factors such as the PRC holidays, and therefore the revenue and gross profit correspondingly recognized are also relatively less, resulting in slight loss in the business performance.



## **6. FINANCIAL EFFECTS OF THE ACQUISITION**

Following the Completion of the Acquisition, the Target Companies will become subsidiaries of our Company. The assets, liabilities and the financial results of the Target Companies will be consolidated into the consolidated financial statements of our Company.

## **7. LISTING RULES IMPLICATIONS**

As of the date of this announcement, CGN, which held approximately 64.20% of the issued share capital of our Company, is the controlling shareholder, and hence a connected person, of our Company.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but all of the applicable percentage ratios are less than 100%, the Acquisition therefore constitutes a major transaction and a connected transaction of our Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

### **(2) CONTINUING CONNECTED TRANSACTIONS**

#### **1. INTRODUCTION**

After the Completion of the Acquisition, the Target Companies will become subsidiaries of our Company, which means the continuing transactions between the Target Companies and CGN and its associates will become continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

#### **2. PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT**

##### ***(i) Final Project Support and Supply of Technology Agreement with EDF***

References are made to the section headed "Connected Transactions — Continuing Connected Transactions — II. Continuing Connected Transactions which are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement" of the Prospectus, where details of the "Final Project Support and Supply of Technology Agreement" with EDF were disclosed. The Final Project Support and Supply of Technology Agreement was entered into among Taishan Nuclear and EDF on August 10, 2008, and is valid for the entire term of the joint venture contract for the establishment of Taishan Nuclear between EDF and CGN in respect of Taishan Nuclear.

**Principal terms:** Pursuant to the terms of the Final Project Support and Supply of Technology Agreement with EDF, EDF will provide certain project support and supply of technology services to Taishan Nuclear as agreed between the parties.

**Reasons for the transaction:** EDF International and EDF (China) Holding Ltd., being direct and indirect subsidiaries of EDF, together hold 30% equity interest in Taishan Nuclear, a subsidiary of our Company. EDF is therefore a substantial shareholder at the subsidiary level of our Company under Rule 14A.06(9) of the Listing Rules and our connected person. According to the joint venture contract for the establishment of Taishan Nuclear entered into between EDF International and CGN on 26 November 2007, EDF shall provide project support and supply of technology regarding FA3 (Unit 3 of Flamanville Nuclear Power Station in France) European Pressurized Reactor to Taishan Nuclear.

**Pricing policy:** The service fees paid/payable to EDF by our Group in relation to the project support and supply of technology services have been negotiated on cost basis taking into account the prevailing/average services fee incurred by the technical experts with similar qualifications, skills and experiences.

**Historical amounts:** The total fees paid/payable by our Company to EDF for the project support and supply of technology services for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 were nil, nil, approximately RMB25,587.920 and approximately RMB4,732,798, respectively.

**Annual caps:** The maximum aggregate annual amount of fees for the two years ending 31 December 2017 and 2018 shall not exceed the caps as set out below:

	<b>Annual Cap for</b>	
	<b>Year Ending 31 December</b>	
	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>	
Total fees paid/payable to EDF	31,000	25,000

**Basis of caps:** In determining the above annual caps, the Directors have considered, among other factors, (i) the historical transaction amounts paid/payable to EDF for the project support and supply of technology services; (ii) the existing contract value of provision of expert services agreed between Taishan Nuclear and EDF; and (iii) the estimated increase in the amount paid/payable for the project support and supply of technology services due to inflation and anticipated increase in cost. In particular, when determining the annual caps for the years ending 31 December 2017 and 2018, we have accounted for the technology and commissioning services to be provided by EDF for Taishan Nuclear Power Station. When determining the annual cap for the

year ending 31 December 2018, we have also taken into account of the anticipated decrease in demand of project support and technology services from EDF given Taishan Nuclear Power Station is expected to have commenced commercial operation then, which will lead to a reduction in demand for commissioning services provided by EDF.

**Directors' view:** Given the Final Project Support and Supply of Technology Agreement has been entered into with EDF, a connected person at the subsidiary level, in the ordinary and usual course of the business of our Company and on normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the Final Project Support and Supply of Technology Agreement, the transactions contemplated thereunder and the annual caps set forth above are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and our Shareholders as a whole.

**Listing Rules Implications:** As the transactions have been entered into with connected persons at the subsidiary level, under Rule 14A.101 of the Listing Rules, the transactions will be exempted from the independent shareholders' approval requirement. In addition, as one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps under the Final Project Support and Supply Technology Agreement with EDF exceed 0.1% but all of the applicable percentage ratios are less than 5% on an annual basis, the Final Project Support and Supply Technology Agreement with EDF and the continuing connected transactions contemplated thereunder constitute *de minimis* transactions for our Company under Rule 14A.76(2) of the Listing Rules and are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(ii) 2016 Technical Support and Maintenance Services Framework Agreement**

References are made to the section headed "Connected Transactions — Continuing Connected Transactions — II. Continuing Connected Transactions which are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement" of the Prospectus, where details of the 2014 Technical Support and Maintenance Services Framework Agreement were disclosed. The 2014 Technical Support and Maintenance Services Framework Agreement has a term of three years, i.e. ending on 31 December 2016.

**Background:** As a continuation of the 2014 Technical Support and Maintenance Services Framework Agreement, our Company entered into the 2016 Technical Support and Maintenance Services Framework Agreement with CGN on September 25, 2016, pursuant to which (i) CGN Group will provide certain types of technical support and maintenance services to our Group primarily including spare parts services, training, maintenance, technical studies and expert support services; and (ii) our Group will provide certain types of technical support and maintenance services to CGN Group, including spare parts services, training, maintenance, operation preparation services, technical studies and expert support services.

The 2016 Technical Support and Maintenance Services Framework Agreement is valid and effective until 31 December 2018. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles provided in the 2016 Technical Support and Maintenance Services Framework Agreement.

**Reasons for the transactions:** Our Group has been procuring certain technical support and maintenance services provided by CGN Group, and vice versa, in the ordinary and usual course of business of our Group to build a nuclear power business chain and promote sustainable development. Our Group has carried out such transactions with CGN Group because: (i) members of our Group and members of CGN Group have established business relationships since their respective establishments; (ii) the relevant service providers are experts in their respective fields, either possessing the requisite license for provision of such service and/or are equipped with experienced and skilled technicians to carry out the specialized work involved; (iii) the service recipient will benefit from economies of scale due to the concentration of professional technical support and maintenance services; (iv) for certain sophisticated technical support and maintenance services, the ongoing arrangements with CGN Group result in cost savings when compared with the procurement of similar support and services from foreign service providers; and (v) the services provided by us to CGN Group have been on no more favorable terms, compared with the services provided to other third parties, taking into account the service quality, price, knowledge of each other's business needs and operational requirements, familiarity with each other's projects and value-added contributions that could be offered.

The technical support and maintenance services provided by CGN Group to our Group primarily include technical support and maintenance work on nuclear power stations and power generation equipment carried out by the members of CGN Group, such as Shenzhen Nuclear Power Electromechanical Installation and Maintenance Co., Ltd (深圳核電機電安裝維修有限公司) and China Techenergy. On the other hand, subsidiaries of our Group such as China Nuclear Power Operations Co., Ltd (中廣核核電運營有限公司), CGN Research Institute Co., Ltd (中廣核研究院有限公司) and Suzhou Nuclear Power Research Institute have been providing technical support and maintenance services to members of CGN Group in respect of spare parts services, training, maintenance, operation preparation services, technical studies and expert support services.

**Pricing policy:** The service fees are agreed and based on actual costs and expenses incurred in providing the relevant services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) a standard pricing policy based on market or historical prices obtained through recent or previous transactions; (ii) the workload and cost of materials, products and labour; and (iii) fees paid to Independent Third Parties for similar services in the ordinary and usual course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

In addition to the aforesaid pricing principles, the following guiding principles shall apply to the pricing of services contemplated under the 2016 Technical Support and Maintenance Services Framework Agreement in the following order:

- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price;
- (2) Market price: the price of the same or similar products, technology or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms; and
- (3) Agreed price: the price to be determined by adding a reasonable profit over a reasonable cost.

**Historical amounts:** The amounts of fees in respect of the technical support and maintenance services paid/payable to CGN Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are set out below:

	<b>Historical Amount For</b>			<b>Six Months</b>
	<b>Year Ended 31 December</b>			<b>Ended</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>30 June</b>
	<b>2016</b>			
	<i>(RMB'000)</i>			
Total fees paid/payable to CGN Group by our Group on an actual basis <sup>(1)</sup>	140,000	125,891	173,901	23,211

*(1) As the Target Company are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not include the services provided by CGN Group to the Target Companies prior to the Acquisition.*

The amounts of fees in respect of the technical support and maintenance services received/receivable from CGN Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are set out below:

	<b>Historical Amount For</b>			<b>Six Months</b>
	<b>Year Ended 31 December</b>			<b>Ended</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>30 June</b>
	<b>2016</b>			
	<i>(RMB'000)</i>			
Total fees received/receivable from CGN Group by our Group on an actual basis <sup>(1)</sup>	624,000	626,613	577,358	308,470

*(1) As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not exclude the services provided by the Group to the Target Companies prior to the Acquisition.*

**Annual caps:** The maximum aggregate annual amount of fees for the three years ending 31 December 2016, 2017 and 2018 shall not exceed the caps as set out below:

	<b>Annual caps For</b>		
	<b>Year Ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>		
Total fees payable to CGN Group			
by our Group	964,308	989,929	1,081,707
Total fees receivable from CGN Group			
by our Group	476,742	482,897	466,869

**Basis of caps:** In determining the above annual caps for the fees payable to CGN Group for its provision of technical support and maintenance services to our Group, the Directors have considered, among other factors: (i) the historical transaction amounts for the provision of technical support and maintenance services by CGN Group; and (ii) the corresponding increase in technical support and maintenance services procured from CGN Group by our Group after the completion of the Acquisition, particularly after the inclusion of Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering under our Group.

In quantifying the estimated increase in our Group's demand for technical support and maintenance services for the three years ending December 31, 2018, the Directors have considered, among other factors: (a) the inclusion of Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering under our Group following the Acquisition; (b) the anticipated increase in the demand of technical support and maintenance services after the first overhaul of Fangchenggang Unit 1 and the commencement of commercial operation of Fangchenggang Unit 2.

In determining the above annual caps for the fees receivable from CGN Group for our Group's provision of technical support and maintenance services to CGN Group, the Directors have considered, among other factors: (i) the historical transaction amounts for the provision of technical support and maintenance services (other than technical support and maintenance services provided to CGN Engineering and its subsidiaries) by our Group to CGN Group; (ii) the expected demand by CGN Group for technical support and maintenance services; and (iii) technical support and maintenance services provided by CGN Engineering and Shanghai China General Nuclear Power Engineering Co., Ltd. (上海中廣核工程科技有限公司) to CGN Group after the completion of the Acquisition.

In quantifying the estimated increase in the demand of CGN Group for technical support and maintenance services for the two years ending December 31, 2017, the Directors have particularly considered , among other factors: (a) technical support and maintenance services to be procured by CGN Group from CGN Engineering and its subsidiaries will be included in the cap amount of technical support and maintenance services to be procured by CGN Group from the Group after the completion of the Acquisition; and (b) the expected increase in the demand by members of CGN Group for technical support and maintenance services as a result of business development and expansion. In quantifying the estimated decline in the demand of CGN Group for technical support and maintenance services for the year ending December 31, 2018 as compared to the previous year, the Directors mainly considered the decline in fees receivable by Suzhou Nuclear Power Research Institute (蘇州熱工研究院有限公司) from CGN Group due to the entering of final phases of individual research projects.

**Directors' views:** Taking into account (i) the established business relationship and cooperation among the relevant members of our Group and members of CGN Group in respect of the technical support and maintenance services; (ii) the service quality, price, work efficiency, knowledge of, and familiarity with, each other's business needs, operational requirements as well as the nuclear technical knowledge and security requirements, and value-added contributions that could be offered, the Directors (including the independent non-executive Directors) are of the view that the 2016 Technical Support and Maintenance Services Framework Agreement, the continuing connected transactions contemplated thereunder, as well as the annual caps set forth above are entered into during the Group's ordinary and usual course of business on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

**Listing Rules Implications:** As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps under the 2016 Technical Support and Maintenance Services Framework Agreement exceed 0.1% but all of the applicable percentage ratios are less than 5% on an annual basis, the 2016 Technical Support and Maintenance Services Framework Agreement and the continuing connected transactions contemplated thereunder constitute *de minimis* transactions for our Company under Rule 14A.76(2) of the Listing Rules and are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



### 3. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

#### *2016 General Services Framework Agreement*

References are made to the section headed “Connected Transactions — Continuing Connected Transactions — III. Continuing Connected Transactions which are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements” of the Prospectus, where details of the 2014 General Services Framework Agreement were disclosed. The 2014 General Services Framework Agreement has a term of three years and will be ending on December 31, 2016.

**Background:** As a continuation of the 2014 General Services Framework Agreement, our Company entered into the 2016 General Services Framework Agreement with CGN on September 25, 2016, pursuant to which (i) CGN Group will provide the following types of services to our Group, including catering services, property management services, transportation services, public procurement services, greening services, accommodation and meeting reception services, office support, electromechanical and water maintenance, logistic management service and other general administrative services; and (ii) we will provide certain services to CGN Group, including property leasing services, services to dispose of administrative supplies, information technology services and other general services.

The 2016 General Services Framework Agreement is valid and effective until December 31, 2018. Separate contracts will be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles provided in the 2016 General Services Framework Agreement.

**Reasons for the transactions:** We have been procuring general services from CGN Group in the ordinary and usual course of business of our Group since its establishment. As all of the Group’s nuclear power stations are located in remote areas and given the strict standards for operational safety and security in the industry, the Directors consider it would be in the Group’s best interest to utilize the services provided by CGN Group. Such services provided by CGN Group are on terms no less favorable than those of independent third-party service providers and are accustomed to meeting the industry requirements of nuclear safety and security, where applicable to such general services. For instance, CGN has a subsidiary, CGN Service Group Co., Ltd. (中廣核服務集團有限公司), which is a comprehensive general services company specializing in provision of a variety of integrated and stable general services with nuclear industry standards. Given the quality and high standard of such services provided by CGN Group, it would be beneficial to us to continue to source such services from CGN Group.

We have also been providing certain general services to CGN Group in its ordinary and usual course of business. For instance, we have been providing information technology services to CGN Group. It would be mutually beneficial for us and CGN Group to continue providing the aforementioned services to each other.

**Pricing policy:** The service fees for the general services provided by CGN Group to our Group are agreed and based on actual costs and expenses incurred in providing such services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) a standard pricing policy based on market or historical prices or rates obtained through recent or previous transactions; (ii) the workload and cost of materials, products, labour and logistics; (iii) the market prices charged by independent third-party providers for services of a similar nature in the usual and ordinary course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

The service fees for the general services provided by our Group to CGN Group are agreed and based on actual costs and expenses incurred in providing such services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) a standard pricing policy based on market or historical prices or rates obtained through recent or previous transactions; (ii) the workload and cost of materials, products, labour and logistics; (iii) the market prices charged by independent third-party providers for services of a similar nature in the usual and ordinary course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

In addition to the aforesaid pricing principles, the following guiding principles shall apply to the pricing of services contemplated under the 2016 General Services Framework Agreement in the following order:

- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price (as applicable to the greening services provided by CGN Group to our Group through CGN Service Group Co., Ltd.);
- (2) Market price: the price of the same or similar products or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms (as applicable to the property leasing services provided by our Group to CGN Group); and

- (3) Agreed price: the price to be determined by adding a reasonable profit over a reasonable cost (as applicable to the general services provided by CGN Group to our Group through CGN Service Group Co., Ltd.).

**Historical amounts:** The amounts of fees paid/payable to CGN Group for the general services received and recognised for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	<b>Historical Amount For</b>			
	<b>Year Ended December 31,</b>			<b>Six Months</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Ended</b>
				<b>June 30,</b>
				<b>2016</b>
	<i>(RMB'000)</i>			
Total fees paid/payable to CGN Group by our Group on an actual basis <sup>(1)</sup>	446,000	375,957	584,425	196,533

- (1) *As the Target Companies are to the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not include the services provided by CGN Group to the Target Companies.*

The amounts of fees received/receivable from CGN Group for the general services provided and recognised for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	<b>Historical Amount For</b>			
	<b>Year Ended December 31,</b>			<b>Six Months</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Ended</b>
				<b>June 30,</b>
				<b>2016</b>
	<i>(RMB'000)</i>			
Total fees received/receivable from CGN Group by our Group on an actual basis <sup>(1)</sup>	22,000	138,060	173,236	41,740

- (1) *As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not exclude the services provided by our Group to the Target Companies.*

**Proposed Annual Caps:** The maximum aggregate annual amount of fees for the three years ending December 31, 2016, 2017 and 2018 shall not exceed the caps as set out below:

	<b>Proposed annual caps</b>		
	<b>For Year Ending December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>		
Total fees paid/payable to CGN Group			
by our Group	1,613,480	2,154,460	2,320,720
Total fees received/receivable from CGN			
Group by our Group	95,956	141,331	174,750

**Basis of caps:** In determining the above Proposed Annual Caps for the total fees payable to CGN Group for its provision of the general services to our Group, the Directors have considered, among other factors, (i) the historical transaction amounts paid/payable for the provision of the general services by CGN Group; and (ii) the expected increase in our Group's demand for general services such as catering, accommodation, transportation, greening and other general services procured from CGN Services Group Co., Ltd. (中廣核服務集團有限公司), a wholly-owned subsidiary of CGN, and its subsidiaries after the completion of the Acquisition, particularly after the inclusion of Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear under our Group.

In quantifying the estimated increase in our Group's demand for the general services for the three years ending December 31, 2018, the Directors have considered, among other factors: (a) the inclusion of Fangchenggang Nuclear, CGN Engineering and Lufeng Nuclear under our Group following the Acquisition; (b) the growth from the actual transaction amount for the year ended December 31, 2015 of approximately RMB584 million to the Proposed Annual Cap for the year ending December 31, 2016 of approximately RMB1,613 million, representing a difference of approximately RMB1,029 million, was attributable to, among other factors, the inclusion of the Target Companies into our Group is expected to incur additional service fees of over RMB500 million for the year ending December 31, 2016, particularly for the various engineering projects of CGN Engineering, and the relocation of the office of our Group leading to additional service fees of around RMB100 million; (c) the growth of the Proposed Annual Cap from approximately RMB1,613 million for the year ending December 31, 2016 to approximately RMB2,154 million for the year ending December 31, 2017, representing a difference of approximately RMB541 million, is mainly attributable to the amount of the additional demand of general service by CGN Engineering for, among other things, the development of nuclear projects in

Huizhou, Cangnan and Xianning in the PRC, is over RMB170 million, and the amount of the additional demand of general service by the Daya Bay Nuclear Power Operations and Management Co., Ltd. (a subsidiary of our Company) in the Daya Bay Nuclear Power Station, Ling'ao Nuclear Power Station and Lingdong Nuclear Power Station for, among other things, administrative and transportation services, is over RMB170 million; (d) the growth of the Proposed Annual Cap from approximately RMB2,154 million for the year ending December 31, 2017 to approximately RMB2,321 million for the year ending December 31, 2018, representing a difference of approximately RMB167 million, is mainly attributable to the additional demand of general service by CGN Engineering for, among other things, offshore businesses and the development of nuclear projects in Huizhou, Cangnan and Xianning, of over RMB73 million.

In determining the above Proposed Annual Caps for the total fees received/receivable from CGN Group for our Group's provision of general services to CGN Group, the Directors have considered, among other factors, (i) the historical transaction amounts received for the provision of general services to CGN Group; and (ii) the expected demand by CGN Group for the general services in the upcoming years.

In quantifying the estimated demand of CGN Group for the general services for the three years ending December 31, 2018, the Directors have particularly considered that: (a) the decrease from the actual transaction amount of approximately RMB173 million for the year ended December 31, 2015 to the Proposed Annual Cap of approximately RMB96 million for the year ending December 31, 2016, representing a difference of approximately RMB77 million, was attributable to, among other factors, the inclusion of the Target Companies into our Group, where the Target Companies would no longer be connected parties of our Company following the Completion of the Acquisition; (b) the growth of the Proposed Annual Cap from approximately RMB96 million for the year ending December 31, 2016 to approximately RMB141 million for the year ending December 31, 2017, representing a difference of approximately RMB45 million, is mainly attributable to the additional demand of general service by CGN Group from our Company for, among other things, information technology services to cope with the growth of the wind energy and other energy businesses of CGN Group, of over RMB20 million; and (c) the growth of the Proposed Annual Cap from approximately RMB141 million for the year ending December 31, 2017 to approximately RMB175 million for the year ending December 31, 2018, representing a difference of approximately RMB34 million, is mainly attributable to the additional demand of general service by CGN Group from our Company for, among other things, information technology services to cope with growth of the new energy and other energy businesses of CGN Group, of over RMB30 million.

**Directors' views:** Taking into account the established business relationship and cooperation among the relevant members of our Group and members of CGN Group in respect of the general services, the Directors (including the independent non-executive Directors) are of the view that the 2016 General Services Framework Agreement, the continuing connected transactions contemplated thereunder, as well as the Proposed Annual Caps set forth above are entered into during our Group's ordinary and usual course of business on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

**Listing Rules Implications:** As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps under the 2016 General Services Framework Agreement exceed 5% but all of the applicable percentage ratios are less than 25% on an annual basis, the 2016 General Services Framework Agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **4. REVISION OF ANNUAL CAPS OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the section headed "Connected Transactions — Continuing Connected Transactions — III. Continuing Connected Transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements" of the Prospectus in relation to (a) the 2014 Engineering Services Framework Agreement and (b) 2014 Nuclear Fuel Supply and Services Framework Agreement and their respective Approved Annual Caps. The 2014 Engineering Services Framework Agreement has a term of six years ending on December 31, 2019, whereas the 2014 Nuclear Fuel Supply and Services Framework Agreement has a term of ten years ending on December 31, 2023.

##### **(i) *Supplemental Agreement to the 2014 Engineering Services Framework Agreement***

**Background:** Our Company entered into the 2014 Engineering Services Framework Agreement with CGN on November 21, 2014, pursuant to which CGN Group agreed to provide engineering services to our Group, primarily including pre-construction engineering service, survey, design and construction technical services, project

management, engineering, procurement and construction, bidding management services, sales of used and/or superfluous materials and other engineering services. It was effective on the listing date of our Company on December 10, 2014 and is valid for a term of six years ending on December 31, 2019.

Our Company entered into the supplemental agreement to the 2014 Engineering Services Framework Agreement with CGN on September 25, 2016 to revise the 2014 Engineering Services Framework Agreement, including the arrangements in relation to the provision of engineering services and to revise the Approved Annual Caps for such continuing connected transactions.

Following the completion of the Acquisition, CGN Engineering, which has been a subsidiary of CGN prior to such completion of the Acquisition, would instead have become a subsidiary of our Company. Prior to the Acquisition, CGN Engineering and its subsidiaries have been providing engineering services to us in accordance with the 2014 Engineering Services Framework Agreement in its ordinary and usual course of business since its establishment. After completion of the Acquisition, the transactions between CGN Engineering (and its subsidiaries) and us will no longer constitute continuing connected transactions as they will become intra-group transactions of our Group. In addition, following the completion of the Acquisition, the subsidiaries of CGN will no longer provide any engineering services to us. Please refer to the section headed “(1) Major and Connected Transaction in relation to the Acquisition of the Target Interests from CGN” in this announcement for further details of the Acquisition.

Accordingly, pursuant to the terms of the supplemental agreement to the 2014 Engineering Services Framework Agreement, our Group, through CGN Engineering and its subsidiaries, would instead provide engineering services to CGN Group which had previously relied on CGN Engineering and its subsidiaries for engineering services prior to the completion of the Acquisition, primarily including pre-construction engineering service, survey, design and construction technical services, project management, engineering, procurement and construction, bidding management services, sales of used and/or superfluous materials and other engineering services. The aforesaid scope of the engineering services provided by our Group to CGN Group pursuant to the supplemental agreement to the 2014 Engineering Services Framework Agreement was consistent with the scope of the engineering services provided by CGN Group to our Group pursuant to the 2014 Engineering Services Framework Agreement, and there were no material changes in the terms of the supplement agreement to the 2014 Engineering Services Framework Agreement. In view of the long established business relationship between our Group and CGN Group, and given the construction and engineering specialties required of the nuclear power stations, CGN Engineering (leveraging on its proprietary and

extensive technical and management experience gained in engineering, procurement and construction of nuclear power stations) is one of the few nuclear power construction companies that possess the requisite capabilities to develop nuclear power projects in China. Therefore, CGN Engineering, together with its subsidiaries, will continue to provide engineering services to CGN Group after completion of the Acquisition. As such, when determining the Revised Annual Caps in respect of the continuing connected transactions between our Group and CGN Group pursuant to the supplemental agreement to the 2014 Engineering Services Framework Agreement, the Directors have taken into account, among other factors, the anticipated transaction amounts between our Group and CGN Group.

Save for the amendments disclosed above, there is no other material change to the terms and conditions of the 2014 Engineering Services Framework Agreement and hence such continuing connected transactions.

**Pricing policy:** The service fees, including fees of engineering construction and procurement of equipment and construction materials, will be agreed and based on actual costs and expenses incurred in providing such services after arm's length negotiations between the relevant parties, with reference to the government-prescribed price and government-guided price\*, the market prices charged by independent third party providers for services of similar standard in the usual and ordinary course of business, as well as any estimates which may have been separately provided by qualified independent third party appraisers, and the price of the engineering services is determined in accordance with the estimates which are no less favorable than those provided by qualified Independent Third Parties.

In addition to the aforesaid pricing principles, the following guiding principles shall apply to the pricing of services contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement in the following order:

\* The relevant government-prescribed price and government-guided price are mainly set out in the (i) Guidelines on Fee Nature and Project Categorization of Nuclear Power Plant Construction (核電廠建設項目費用性質及項目劃分導則) issued by National Energy Administration (國家能源局); (ii) Budgeting Methodology of Nuclear Power Plant Construction Projects (核電廠建設項目預算編制方法) issued by National Energy Administration (國家能源局); (iii) Regulations on Other Expense Budgeting of Nuclear Power Plant Construction Projects (核電廠建設項目工程其他費用編制規定) issued by National Energy Administration (國家能源局); (iv) Regulations on Fees Management of Engineering Survey and Design (工程勘察設計收費管理規定) issued by State Development Planning Commission (國家發展計劃委員會) and Ministry of Construction (建設部); and (v) Regulations on Construction Project Supervision along with Associated Service Fee Charging (建設工程監理與相關服務收費管理規定) issued by the NDRC and Ministry of Construction (建設部).



- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price;
- (2) Market price: the price of the same or similar products or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms; and
- (3) Agreed price: the price to be determined by adding a reasonable profit over a reasonable cost.

**Historical amounts:** The amounts of the engineering service fees paid/payable to CGN Group for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	<b>Historical Amount For</b>			<b>Six Months</b>
	<b>Year Ended December 31,</b>			<b>Ended</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>June 30,</b>
	<b>2016</b>			
	<i>(RMB'000)</i>			
Total fees paid/payable to CGN Group by our Group on an actual basis <sup>(1)</sup>	6,281,000	6,146,245	5,487,162	2,808,657

- (1) As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not include the services provided by CGN Group to the Target Companies, but includes the total fees payable to CGN Group by our Group on an actual basis in respect of the engineering services by CGN Engineering to our Group.

**Reasons for the Revised Annual Caps:** Following the change of ownership of CGN Engineering as a result of the Acquisition, which will result in the provision of engineering services by our Group to certain nuclear projects as required by CGN Group instead, and due to the continuing development and expansion of the power projects of CGN Group increases its demand for engineering services, the Board envisages that there will be an overall expected increase in the transaction values in the continuing connected transactions to be entered into between CGN Engineering and/or its subsidiaries and CGN Group as contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement for the financial

years ending December 31, 2016, 2017, 2018 and 2019. As a result, the Approved Annual Caps under the 2014 Engineering Services Framework Agreement for the same period will not be sufficient. In light of the above, the Board considers it appropriate to re-set the maximum aggregate annual value to the Revised Annual Caps for such period as contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement.

**Revised Annual Caps:** Set out below are the Approved Annual Caps for the engineering service fees paid/payable to CGN Group under the 2014 Engineering Services Framework Agreement for the financial years ending December 31, 2016, 2017, 2018 and 2019 as set out in the Prospectus, and the Revised Annual Caps for the financial years ending December 31, 2016, 2017, 2018 and 2019 as contemplated under the supplemental agreement to the 2014 Engineering Services Framework Agreement:

	<b>Approved / Revised Annual Caps For Year</b>			
	<b>Ending December 31,</b>			
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB'000)</i>			
Total fees paid/ payable to CGN Group by our Group				
(a) <i>Approved Annual Caps</i>	9,076,000	6,947,000	5,432,000	6,890,000
(b) <i>Revised Annual Caps</i> <sup>(1)</sup>	N/A	N/A	N/A	N/A
Total fees received/receivable from CGN Group by our Group				
(a) <i>Approved Annual Caps</i> <sup>(2)</sup>	N/A	N/A	N/A	N/A
(b) <i>Revised Annual Caps</i>	1,434,465	7,314,504	11,055,200	13,083,650

(1) Following the completion of the Acquisition, as CGN Engineering will become our subsidiary and such transactions will become the inter-group transactions of our Group, there are no fees payable to CGN Group by our Group.

(2) Prior to the completion of the Acquisition, as CGN Engineering is a subsidiary of CGN Group, we did not provide any engineering services to CGN Group.

As of the date of this announcement, the historical aggregate transaction value has not exceeded the Approved Annual Cap under the 2014 Engineering Services Framework Agreement for the financial year ending December 31, 2016.

**Basis of caps:** The Revised Annual Caps for the supplemental agreement to the 2014 Engineering Services Framework Agreement are determined by reference to:

- (a) the fluctuations in the potential volume of business due to uncertainty as to the sustainability and development of offshore projects;
- (b) the transaction value derived from construction agreements to be entered into between our Group and CGN Group in respect of certain offshore projects, which is mainly attributable to the transaction amounts involved during the preparatory phase of certain offshore projects; and
- (c) the transaction value derived from construction agreements to be entered into between our Group and CGN Group in respect of certain onshore projects.

Particularly, (a) the Revised Annual Cap for the year ending December 31, 2016 has taken into account, among other projects, the Huizhou project of around RMB560 million and the United Kingdom project of an aggregate amount of approximately RMB280 million; (b) the growth of the Revised Annual Cap from approximately RMB1,434 million for the year ending December 31, 2016 to approximately RMB7,315 million for the year ending December 31, 2017, representing a difference of approximately RMB5,881 million, is mainly attributable to the additional demand of engineering services by the Huizhou project of CGN Group of around RMB2,500 million and the additional demand of engineering services by the Xianning project of CGN Group of around RMB2,300 million; (c) the growth of the Revised Annual Cap from approximately RMB7,315 million for the year ending December 31, 2017 to approximately RMB11,055 million for the year ending December 31, 2018, representing a difference of approximately RMB3,740 million, is mainly attributable to the additional demand of engineering services by the Xianning project of CGN Group of around RMB2,900 million; and (d) the growth of the Revised Annual Cap from approximately RMB11,055 million for the year ending December 31, 2018 to approximately RMB13,084 million for the year ending December 31, 2019, representing a difference of approximately RMB2,029 million, is mainly attributable to the additional demand of engineering services by the Xianning project and the Huizhou project of CGN Group of around RMB2,200 million.

**Directors' view:** Taking into account the long established business relationship between our Group and CGN Group, the stable revenue to be generated from the businesses of CGN Group for the benefit of our Group, and in view of the new transaction relation and needs arising from the change of ownership of CGN Engineering after the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the supplemental agreement to the 2014

Engineering Services Framework Agreement, and the Revised Annual Caps for the continuing connected transactions contemplated under such supplemental agreement for the financial years ending December 31, 2016, 2017, 2018 and 2019 are arrived at during the Group's ordinary and usual course of business on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

***Listing Rules Implications:*** As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the supplemental agreement to the 2014 Engineering Services Framework Agreement exceed 25% but all of the applicable percentage ratios are less than 100% on an annual basis, such Revised Annual Caps under the supplemental agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) ***Supplemental Agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement***

***Background:*** Our Company entered into the 2014 Nuclear Fuel Supply and Services Framework Agreement with CGN on November 21, 2014, pursuant to which CGN Group agreed to provide nuclear fuel and related services to our Company, including procurement and supply of uranium, nuclear fuel general contracting services, spent fuel storage and transportation, and other associated supplies and services. It was effective on the listing date of our Company on December 10, 2014 and is valid for a term of ten years ending on December 31, 2023.

Our Company entered into the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement with CGN on September 25, 2016 to revise the Approved Annual Caps for the continuing connected transactions contemplated under the 2014 Nuclear Fuel Supply and Services Framework Agreement.

Save for the amendments disclosed above, there is no other material change to the terms and conditions of the 2014 Nuclear Fuel Supply and Services Framework Agreement and hence such continuing connected transactions.

**Historical amounts:** The amounts of nuclear fuel and related services fees paid/payable to CGN Group for the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 are set out below:

	<b>Historical Amount For</b>			<b>Six Months</b>
	<b>Year Ended December 31,</b>			<b>Ended</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>June 30,</b>
	<b>(RMB'000)</b>			<b>2016</b>
Total fees paid/payable to CGN Group by our Group on an actual basis <sup>(1)</sup>	919,000	1,490,643	1,938,955	296,887

(1) As the Target Companies are the subsidiaries of CGN Group prior to the completion of the Acquisition and the historical amounts were audited figures for the aforesaid periods, such historical amounts do not include the services provided by CGN Group to the Target Companies.

**Reasons for the Revised Annual Caps:** The Board envisages that there will be a substantial increase in the transaction values in the continuing connected transactions contemplated under the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement for the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023, mainly due to the new demand for nuclear fuel and related services arising from the gradual installation and operation commencement of new Units, including those under the Fangchenggang Units 1 to 4 and Lufeng Units 1 and 2 after the Acquisition and those under the Yangjiang Units 1 to 6 operated by our Group.

As a result, the Approved Annual Caps under the 2014 Nuclear Fuel Supply and Services Framework Agreement for the same period set forth above will not be sufficient. In light of the above, the Board considers it appropriate to re-set the maximum aggregate annual value to the Revised Annual Caps for such period as contemplated under the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement to the Revised Annual Caps.

**Revised Annual Caps:** Set out below are the Approved Annual Caps for the nuclear fuel and related services paid/payable to CGN Group under the 2014 Nuclear Fuel Supply and Services Framework Agreement for the eight financial years ending December 31, 2023 as set out in the Prospectus, and the Revised Annual Caps to the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement for the eight financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023:

**Approved / Revised Annual Caps  
for Year Ending December 31,  
(RMB'000)**

Total fees paid/payable to  
CGN Group by our  
Group

(a) <i>Approved Annual Caps</i>	2016	2017	2018	2019	2020	2021	2022	2023
	3,715,000	4,267,000	4,796,000	4,106,000	4,678,000	5,253,000	4,471,000	5,111,000
(b) <i>Revised Annual Caps</i>	2016	2017	2018	2019	2020	2021	2022	2023
	4,793,025	6,925,375	5,447,384	6,610,992	8,930,252	8,122,988	11,615,658	11,457,408

As of the date of this announcement, the historical aggregate transaction value has not exceeded the Approved Annual Cap under the 2014 Nuclear Fuel Supply and Services Framework for the financial year ending December 31, 2016.

**Basis of cap:** The Revised Annual Cap for the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework was determined by reference to:

- (a) the historical transaction amounts paid to CGN Group for the purchase of the nuclear fuel and related services;
- (b) the nature of the nuclear fuel and related services under specific contracts already signed or agreed between our Group and CGN Group; in particular, the expected increase in the procurement amounts of nuclear fuel and related amounts due to the gradual commencement of commercial operations of more Units at Yangjiang Nuclear Power Station, and at Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station after their inclusion to us following the Acquisition;

- (c) the current contract value for procurement of the nuclear fuel and related services together with the relevant delivery dates of the nuclear fuel and related services under these contracts;
- (d) the expected increase in costs on extraction, manufacture, import, transportation of the relevant nuclear fuel;
- (e) the expected increase in demand by us for nuclear fuel and related services due to its business expansion;
- (f) the estimated increase in the average market price for nuclear fuel and related services due to inflation and increase in the value of nuclear fuel and related services; and
- (g) the anticipated increase in nuclear fuel and related services provided by CGN Group to the Target Companies after completion of the Acquisition.

In particular, in respect of the Revised Annual Caps for the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement, their increase or decrease for a particular year is attributable to the following considerations:

- (a) the anticipated increase in 2016 as compared with 2015 is due to, among other factors, the increased transaction value related to the delivery of natural uranium for Ningde Nuclear Power Station of an additional of approximately RMB1,353 million, Ling'ao Nuclear Power Station of an additional of approximately RMB741 million and Yangjiang Nuclear Power Station of an additional of approximately RMB496 million;
- (b) the anticipated increase in 2017 as compared with 2016 is due to the increased transaction value for supplying first charge of nuclear fuel for Lufeng Phase I of an additional of approximately RMB1,433 million and the increase in demand for natural uranium from Yangjiang Nuclear Power Station of an additional of approximately RMB1,129 million;
- (c) the anticipated decrease in 2018 as compared with 2017 is due to the expected completion of the aforesaid general contracting services provided to Lufeng Phase I in 2017, representing a decline of approximately RMB1,425 million;
- (d) the anticipated increase in 2019 as compared with 2018 is due to the increased transaction value for delivery of natural uranium for Ling'ao Nuclear Power Station of an additional of approximately RMB985 million;

- (e) the anticipated increase in 2020 as compared with 2019 is due to the increased transaction value for delivery of natural uranium for Lingdong Nuclear Power Station of an additional of approximately RMB1,937 million;
- (f) the anticipated decrease in 2021 as compared with 2020 is due to the lower transaction value for delivery of natural uranium for Lingdong Nuclear Power Station of a decrease of approximately RMB955 million due to scheduled maintenance;
- (g) the anticipated increase in 2022 as compared with 2021 is due to the increased transaction value for delivery of natural uranium for Daya Bay Nuclear Power Station of an additional of approximately RMB1,070 million, for Ling'ao Nuclear Power Station of an additional of approximately RMB955 million and for Yangjiang Nuclear Power Station of an additional of approximately RMB890 million;
- (h) the amounts for 2022 and 2023 remain stable primarily because the anticipated increases in demand for Fangchenggang Nuclear Power Station and Lingdong Nuclear Power Station are offset by the anticipated decreases in demand for Lingdong Nuclear Power Station and Lufeng Nuclear Power Station; and
- (i) the expected fuel requirement schedules of the various nuclear power projects of our Group.

**Directors' view:** Taking into account that (i) the nuclear fuel and related services are essential to the Group's product and business operations; (ii) trading of nuclear fuel is highly regulated and the reliability of supply of nuclear fuel and related services by CGN Uranium is considered to be essential to the Group's operations; and (iii) the purpose of the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement is to set the Revised Annual Caps given the existing annual caps may be insufficient; the Directors (including the independent non-executive Directors) are of the view that the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement, and the Revised Annual Caps for the continuing connected transactions contemplated under such supplemental agreement for the financial years ending December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 are arrived at during the Group's ordinary and usual course of business on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.



***Listing Rules Implications:*** As one or more of the applicable percentage ratios (except for the profits ratio) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement exceed 25% but all of the applicable percentage ratios are less than 100% on an annual basis, such Revised Annual Caps and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **5. INTERNAL CONTROL MEASURES**

Our Company has established a series of internal control measures, including formulating the “Management Rules on Connected Transactions of CGN Power Co., Ltd.”, “Management Procedures on Connected Transactions of CGN Power Co., Ltd.” and a connected transaction management system to standardize and stipulate the pricing policies and mechanism, the assignment of responsibility and decision making authority to ensure the Continuing Connected Transactions are conducted in accordance with their respective framework agreements, and that the pricing policies will be strictly complied with. We will evaluate the Continuing Connected Transactions on at least a quarterly basis.

In particular, for the purpose of the Non-exempt Continuing Connected Transactions (if applicable), applicable guiding principles and relevant internal control measures are as follows:

- (i) For the purpose of the principals of government price, our Group reviews relevant government-prescribed price or government-guided price to ensure that the price of CGN complies with the relevant government-prescribed price or government-guided price;
- (ii) For the purpose of the principles of market price, (a) for the purpose of purchasing the products or services of CGN Group, our Group reviews the terms provided by Independent Third Parties, and ensures that the principal terms provided by CGN Group are no less favourable to our Group than those provided by Independent Third Parties; and (b) for the purpose of providing products or services to CGN Group, our Group reviews the terms provided to Independent Third Parties, and ensures that the principal terms provided to CGN Group are no less favourable to our Group than those provided to Independent Third Parties;

- (iii) For the purpose of the principles of agreed price, if both the principles of government price and market price do not apply, the price with CGN Group is determined by adding a reasonable profit over a reasonable cost, and our Group will ensure that the relevant profit margin is no less favourable to that provided by Independent Third Parties; and
- (iv) in accordance with the Listing Rules, (i) the external auditors of our Group will continue to report annually on the Continuing Connected Transactions to confirm, among other matters, whether the Continuing Connected Transactions were entered into in accordance with their respective framework agreements and, for the transactions involving the provision of goods or services by our Group, to confirm whether anything has come to our attention that causes us to believe the Continuing Connected Transactions are not, in all material respects, in accordance with the pricing policies of our Group; and (ii) the independent non-executive Directors will continue to review and report annually on whether the Continuing Connected Transactions are, among other things, entered into in accordance with the respective framework agreements governing them and on terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

In the event that the Proposed Annual Caps under the 2016 General Services Framework Agreement or the relevant Revised Annual Caps under the respective supplemental agreements to the 2014 Engineering Services Framework Agreement or the 2014 Nuclear Fuel Supply and Services Framework Agreement are exceeded or the relevant agreements for the Continuing Connected Transaction is renewed or materially varied, our Company will re-comply with the reporting, announcement and independent shareholders' approval requirements pursuant to Rules 14A.35 to 14A.47 of the Listing Rules.

## **ADDITIONAL INFORMATION**

### ***Board's Approval***

As disclosed in “History, Reorganization and Corporate Structure – Our History and Development – Retained Business and Non-competition” and “Relationship with Controlling Shareholder – Non-competition deed and undertakings” of the Prospectus, CGN has granted our Company the Acquisition Right to acquire the equity interests in certain CGN's controlled nuclear power businesses which compete or are likely to compete with the business of our Group. The independent non-executive Directors are responsible for reviewing, considering and deciding to

exercise such Acquisition Right. The independent non-executive Directors of our Company had reviewed, considered and approved to exercise the Acquisition Right to proceed with the Acquisition.

Our Company convened a board meeting on September 25, 2016. The Directors who have a conflict of interests in the Acquisition and the Continuing Connected Transactions have not participated in the determination of the resolutions in connection with the Acquisition and the Continuing Connected Transactions. The Board had considered and approved the resolutions in relation to the Acquisition and the Continuing Connected Transactions.

The Directors are of the view that the Acquisition, the Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and all related matters thereof are fair and reasonable, on normal commercial terms and in the interests of our Company and the Shareholders as a whole. The resolution will be submitted to the EGM for the Independent Shareholders to consider and approve the Share Transfer Agreement, the Non-Exempt Continuing Connected Transactions and all other transactions contemplated thereunder.

#### ***Independent Board Committee***

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) whether the Non-exempt Continuing Connected Transactions as well as the Proposed Annual Caps and the Revised Annual Caps are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

#### ***Independent Financial Adviser***

First Shanghai Capital Limited has been appointed by our Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) whether the Non-exempt Continuing Connected Transactions as well as the Proposed Annual Caps and the Revised Annual Caps are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

### *Connected persons who are required to abstain from voting*

CGN Group was considered to have material interests in the Acquisition and the Non-exempt Continuing Connected Transactions. In accordance with Rule 14A.36 of the Listing Rules, any connected person who has material interests in such transactions must abstain from voting on the relevant resolutions at the EGM. CGN holds 29,176,641,375 Shares in our Company, representing approximately 64.20% of the total issued Shares of our Company, and therefore it and its close associates shall abstain from voting on the Acquisition and the Non-exempt Continuing Connected Transactions at the EGM. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no shareholding trust or other agreement or arrangement or intention entered into by its ultimate beneficial owners and their respective associates which is binding upon them; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as of the date of this announcement, whereby they have or may have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares to a third party, either generally or on a case-by-case basis.

As of the date of this announcement, and to the best knowledge, information and belief of the Directors, saved as disclosed in this announcement, no Shareholder is required to abstain from voting in respect of other resolutions.

### *Dispatch of the Circular*

A circular containing (among other things) (i) further details of the Acquisition; (ii) further details of the Non-exempt Continuing Connected Transactions; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Non-exempt Continuing Connected Transactions; (iv) the advice of independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Non-exempt Continuing Connected Transactions; (v) the financial information of the Target Companies; (vi) the summary asset valuation reports of the respective Target Companies; (vii) the comfort letters in respect of the discounted cash flows contained in each of the asset valuation report of 61% equity interest in Fangchenggang Nuclear and 100% equity interest in CGN Engineering; and (viii) the notice convening the EGM, will be dispatched to the Shareholders on or before September 30, 2016.

**The transactions contemplated under this announcement are subject to the satisfaction or waiver (where applicable) of a number of conditions and, accordingly, may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares or other securities of our Company.**

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Target Interests by our Company from CGN pursuant to the terms and conditions of the Share Transfer Agreement
“Acquisition Right”	the right of our Company granted by CGN under a non-competition deed dated November 21, 2014 to acquire the equity interests in certain CGN’s controlled nuclear power businesses which compete or are likely to compete with the business of our Group
“Appraisal Base Date”	March 31, 2016
“Approved Annual Cap(s)”	the annual cap(s) in respect of the Non-exempt Continuing Connected Transactions contemplated under the 2014 Engineering Services Framework Agreement and the 2014 Nuclear Fuel Supply and Services Framework Agreement as set out in the Prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of our Company
“business day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong and the PRC are open generally for normal banking business
“CGN”	China General Nuclear Power Corporation* (中國廣核集團有限公司), a state-owned enterprise established in the PRC on September 29, 1994 and our controlling shareholder, and thus a connected person of our Company, and the vendor to the Share Transfer Agreement
“CGN Engineering”	China Nuclear Power Engineering Co., Ltd. (中廣核工程有限公司), a limited liability company established in the PRC on November 11, 1997, and a wholly-owned subsidiary of CGN and one of the Target Companies

“CGN Group”	CGN and its subsidiaries (unless specified otherwise, excluding our Group), collectively
“CGN Uranium”	CGN Uranium Resources Co., Ltd. (中廣核鈾業發展有限公司), a limited liability company established in the PRC on August 15, 2006, a wholly owned subsidiary of CGN and a connected person of our Company
“China Enterprise Appraisals”	China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司), an independent valuer for the asset valuation of the Target Companies
“China Techenergy”	China Techenergy Co., Ltd. (北京廣利核系統工程有限公司), a limited liability company established in the PRC on October 18, 2005, and a company owned as to 60% of its equity interest by CGN Engineering and 40% by Beijing Hollysys Co., Ltd. (北京和利時系統工程有限公司)
“Company” or “our Company”	CGN Power Co., Ltd.* (中國廣核電力股份有限公司), a joint stock company with limited liability incorporated under PRC law on March 25, 2014, the H Shares of which is listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1816)
“Completion”	completion of the Acquisition under the Share Transfer Agreement as referred to in the paragraph headed “(1) The Acquisition of the Target Interests from CGN – 2. Share Transfer Agreement – (A) Principal terms – Completion” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the initial aggregate consideration for the sale and purchase of the Target Interests under the Share Transfer Agreement, which will be subject to adjustment as referred to in the paragraph headed “(1) The Acquisition of the Target Interests from CGN – 2. Share Transfer Agreement – (A) Principal terms – Adjustment to Consideration” in this announcement

“Continuing Connected Transactions”	individually or collectively, the Partially Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules, as of the date of this announcement, it refers to CGN
“Director(s)”	the director(s) of our Company
“Domestic Share(s)”	ordinary shares in the capital of the Company, with the nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EDF”	Electricite De France, a company limited by shares organized on April 9, 1946 and existing under the laws of France, whose Paris Trade and Companies Registered Number is No. 552081317, and a connected person to our Company at the subsidiary level
“EDF International”	EDF International, a company limited by simplified shares organized on October 22, 2001 and existing under the laws of France, whose Paris Trade and Companies Registered Number is No. 380415125, and a connected person to our Company at the subsidiary level
“EGM”	the Extraordinary General Meeting of our Company to be convened for the Independent Shareholders and the Shareholders to consider and, if thought fit, to approve by way of ordinary resolutions the Acquisition and the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps), among other matters
“Fangchenggang Nuclear”	Guangxi Fangchenggang Nuclear Power Co., Ltd. (廣西防城港核電有限公司), a limited liability company established in the PRC on September 3, 2008 with 61% of its equity interest held by CGN and 39% by Guangxi Investment Group Limited (廣西投資集團有限公司), and one of the Target Companies

“FCD”	the “First Concrete Date” of the nuclear island, which is the official starting point of the construction stage and the first milestone of nuclear power station construction, occurring after obtaining the construction permit and signifying the commencement of construction
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries from time to time
“GW”	gigawatt, equal to 1,000 MW
“GWh”	gigawatt-hour, or one million kilowatt-hours. GWh is typically used as a measure for the annual energy production of large power projects
“H Share(s)”	overseas-listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	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
“Independent Board Committee”	the independent board committee constituted by Mr. Na Xizhi, Mr. Hu Yiguang and Mr. Francis Siu Wai Keung, for the purpose of providing advice to Independent Shareholders in respect of the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and the transactions contemplated thereunder



“Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Non-exempt Continuing Connected Transactions (including the Proposed Annual Caps and the Revised Annual Caps) and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than CGN and its associates
“Independent Third Party(ies)”	person(s) which are not connected with any Directors, supervisors, chief executive or substantial Shareholders of our Company or any of its subsidiaries and their respective associates
“kW”	kilowatt, or one thousand watts
“kWh”	kilowatt-hour, the standard unit of energy used in the power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Lufeng Nuclear”	CGN Lufeng Nuclear Power Co., Ltd. (中廣核陸豐核電有限公司), a limited liability company established in the PRC on February 20, 2008, and a wholly-owned subsidiary of CGN and one of the Target Companies
“MW”	megawatt, or one million watts
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), the PRC government agency responsible for developing national economic strategies and long term economic plans and for reporting economic and social development to the PRC National People’s Congress

“Non-competition Deed”	the non-competition deed dated November 21, 2014 entered into between CGN and our Company, the further details of which are referred to in the section headed “Relationship with Controlling Shareholder” in the Prospectus
“Non-exempt Continuing Connected Transactions”	individually or collectively (as the case may be), the proposed transactions for renewing the non-exempt continuing connected transactions pursuant to the terms of the 2016 General Services Framework Agreement, and to revise the annual caps for the non-exempt continuing connected transactions pursuant to the terms of (1) the supplemental agreement to the 2014 Engineering Services Framework Agreement and (2) the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement, the further details of which are referred to in the section headed “(2) Continuing Connected Transactions” in this announcement
“Partially Exempt Continuing Connected Transactions”	individually or collectively (as the case may be), the transactions for renewing the partially exempt continuing connected transactions pursuant to the terms of the 2016 Technical Support and Maintenance Services Framework Agreement, and for determining the annual caps for the partially exempt continuing connected transactions pursuant to the terms of the Final Project Support and Supply of Technology Agreement with EDF, the further details of which are referred to in the section headed “(2) Continuing Connected Transactions” in this announcement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Cap(s)”	individually or collectively (as the case may be), the proposed annual cap amounts in respect of the Non-exempt Continuing Connected Transactions under the 2016 General Services Framework Agreement for each of the three years ending December 31, 2018

“Prospectus”	the prospectus published by our Company on November 27, 2014
“Retained Business”	certain nuclear power business that has not been included in our Group and in which CGN Group has interests, the further details of which are referred to in the section headed “Relationship with Controlling Shareholder – Delineation of Business and Competition” in the Prospectus
“Revised Annual Cap(s)”	individually or collectively (as the case may be), the proposed revised annual cap amounts in respect of the Non-exempt Continuing Connected Transactions under (1) the supplemental agreement to the 2014 Engineering Services Framework Agreement and (2) the supplemental agreement to the 2014 Nuclear Fuel Supply and Services Framework Agreement for the remaining financial years under the respective agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Domestic Shares and H Shares
“Shareholder(s)”	shareholders of the Company
“Share Transfer Agreement”	the Share Transfer Agreement entered into between our Company and CGN on September 25, 2016 in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company(ies)”	individually or collectively (as the case may be), (1) Fangchenggang Nuclear, (2) Lufeng Nuclear, and (3) CGN Engineering
“Target Interests”	individually or collectively (as the case may be), (1) 61% equity interest in Fangchenggang Nuclear, (2) 100% equity interest in Lufeng Nuclear, and (3) 100% equity interest in CGN Engineering

“Taishan Nuclear”	Taishan Nuclear Power Joint Venture Co., Ltd.* (台山核電合營有限公司), a limited liability company established in the PRC on July 5, 2007 with 47.5% equity interest being held by Taishan Nuclear Power Industry Investment Co., Ltd.* (台山核電產業投資有限公司) (a 60% owned subsidiary of our Company), 30% by EDF International and its subsidiary EDF (China) Holding Ltd., 12.5% by our Company, and 10% by Guangdong Nuclear Investment Co., Ltd.* (廣東核電投資有限公司) (a wholly-owned subsidiary of our Company), and thus a subsidiary of our Company
“Unit(s)”	nuclear power generating unit(s) installed or to be installed in nuclear power station(s) of the members of our Group as enlarged by the Acquisition immediately after the Completion
“VAT”	value added tax
“2014 Engineering Services Framework Agreement”	the engineering services framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed “Connected Transactions – Continuing Connected Transactions” of the Prospectus
“2014 General Services Framework Agreement”	the general services framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed “Connected Transactions – Continuing Connected Transactions” of the Prospectus
“2014 Nuclear Fuel Supply and Services Framework Agreement”	the nuclear fuel supply and services framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed “Connected Transactions – Continuing Connected Transactions” of the Prospectus

“2014 Technical Support and Maintenance Services Framework Agreement”	the technical support and maintenance services framework agreement dated November 21, 2014 entered into between our Company and CGN, the further details of which are set out in the section headed “Connected Transactions – Continuing Connected Transactions” of the Prospectus
“2016 General Services Framework Agreement”	the general services framework agreement dated September 25, 2016 entered into between our Company and CGN, the further details of which are set out in the section headed “(2) Continuing Connected Transactions” in this announcement
“2016 Technical Support and Maintenance Services Framework Agreement”	the technical support and maintenance services framework agreement dated September 25, 2016 entered into between our Company and CGN, the further details of which are set out in the section headed “(2) Continuing Connected Transactions” in this announcement
“%”	per cent.

By order of the Board  
**CGN Power Co., Ltd.\***  
**Zhang Shanming**  
*Chairman*

The PRC, September 26, 2016

*As of the date of this announcement, the Board of the Company comprises Mr. Gao Ligang as executive Director; Mr. Zhang Shanming, Mr. Shi Bing, Mr. Xiao Xue and Mr. Zhuo Yuyun as non-executive Directors; Mr. Na Xizhi, Mr. Hu Yiguang and Mr. Francis Siu Wai Keung as independent non-executive Directors.*

*\* For identification purposes only*