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中電控股有限公司 CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

Continuing Connected Transactions

On 30 December 2016, CLP Group entered into the 2017 power purchase agreement for the Fangchenggang coal-fired project with the CSG Group. This 2017 FCG PPA constitutes a continuing connected transaction for the CLP Group as the CSG Group is a connected person of the Company (at its subsidiary level) by virtue of CSG HK being a substantial shareholder of CAPCO, a subsidiary of the Company.

This announcement obligation was triggered with the entering into the 2017 FCG PPA, because when aggregated with other continuing connected transactions entered into or renewed between the CLP Group and the CSG Group relating to power purchases by the CSG Group since the 2016 Second Announcement, the projected Annual Aggregate Cap exceeds the 5% threshold (revenue ratio) under the Listing Rules.

The Transactions, including the 2017 FCG PPA, despite exceeding the 5% threshold, are exempt from the circular, independent financial advice and shareholders' approval requirements on the basis that:

1. CSG Group is a connected person of the Company at the subsidiary level;
2. the 2017 FCG PPA has been approved by the Directors; and
3. the Independent Non-executive Directors have confirmed that the terms of the 2017 FCG PPA are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the CLP Group and in the interests of the Company and its Shareholders as a whole.

1. CONTINUING CONNECTED TRANSACTIONS BETWEEN THE CLP GROUP AND THE CSG GROUP

The Company last made an announcement in relation to the ongoing continuing connected transactions between the CLP Group and the CSG Group in its 2016 Second Announcement as the value of the aggregate cap for these transactions was anticipated to exceed the 5% threshold under the Listing Rules.

On 30 December 2016, a member of the CLP Group entered into the 2017 FCG PPA, and when aggregated with other Transactions entered into or renewed since the 2016 Second Announcement, the projected Annual Aggregate Cap for these Transactions exceeds the 5% threshold under the Listing Rules.

These Transactions include (a) renewal of some of the existing continuing connected transactions and (b) entering into new agreements for some existing projects which constitute continuing connected transactions. They comprise the Power Sales Contract, a number of PPAs (including the 2017 FCG PPA) and other agreements relating to power purchases by the CSG Group. These renewals and the entering into of the new agreements were conducted in the ordinary and usual course of business of the CLP Group.

The principal terms of the Transactions are summarised in Table A below:

Table A – Details of the Transactions

Name, date and current term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Start date of current contractual arrangement (see Note (a))	Nature and description of the transaction	Basis for determining the consideration
CLP Power electricity sales to Mainland China					
1. Power Sales Contract Date: 15 December 2016 Term: From 1 January 2017 to 31 December 2017	CLP Power	CSG-GPG Guangdong Guang-hua Industry Import and Export Co., Ltd, as payment agent of CSG-GPG	10 February 2012	CLP Power sells electricity to CSG-GPG.	Payment is based on the number of GWh sold multiplied by an arm's length tariff agreed between the parties. The tariff is determined after taking into account available market information and the relevant cost.
2. Energy Economy Interchange Agreement (see Note (b)) Date: 25 December 2015 Term: From 25 December 2015 to 24 December 2017 (potential extension for one year subject to mutual consent of both parties upon expiry of the agreement)	CLP Power	CSG-GPG	25 December 2015	Economic interchange of electricity from, on the one side, CLP Power to CSG-GPG and, on the other, from CSG-GPG to CLP Power, depending on which party is affected by an emergency incident resulting in interruption of normal electricity supply to its customers. The potential sale of electricity by CLP Power to CSG-GPG falls to be aggregated with the Transactions.	As in item 1 above

Name, date and current term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Start date of current contractual arrangement (see Note (a))	Nature and description of the transaction	Basis for determining the consideration
The Huaiji hydro project					
3. Zelian Hydro Station PPA (see Note (c)) Date: 28 September 2015 Term: From 28 September 2016 to 27 September 2017 (automatically renewable - see Note (d))	Guangdong Huaiji Xinlian Hydro-electric Power Company Limited, a subsidiary of the Company ("CLP-GHX")	Zhaoqing Power Bureau of CSG-GPG, a subsidiary of CSG ("CSG-ZPB")	23 July 2009	CLP-GHX sells electricity to CSG-ZPB.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Zhaoqing City Price Bureau. This tariff is published at Zhaoqing Price Bureau Document ZhaoJia [2012] No. 67 and is updated from time to time. The above pricing also applies to items 4-9.
4. Longzhongtan Hydro Station PPA (see Note (c)) Date: 28 September 2015 Term: From 28 September 2016 to 27 September 2017 (automatically renewable - see Note (d))	CLP-GHX	CSG-ZPB	23 July 2009	As in item 3 above	As in item 3 above
5. Jiaoping Hydro Station PPA (see Note (c)) Date: 28 September 2015 Term: From 28 September 2016 to 27 September 2017 (automatically renewable - see Note (d))	CLP-GHX	CSG-ZPB	23 July 2009	As in item 3 above	As in item 3 above
6. Xiazhu Hydro Station PPA (see Note (c)) Date: 28 September 2015 Term: From 28 September 2016 to 27 September 2017 (automatically renewable - see Note (d))	CLP-GHX	CSG-ZPB	23 July 2009	As in item 3 above	As in item 3 above
7. Shuixia Hydro Station PPA (see Note (c)) Date: 28 September 2015 Term: From 28 September 2016 to 27 September 2017 (automatically renewable - see Note (d))	Guangdong Huaiji Weifa Hydro-electric Power Company Limited, a subsidiary of the Company ("CLP-GHW")	CSG-ZPB	23 February 2012	CLP-GHW sells electricity to CSG-ZPB.	As in item 3 above

Name, date and current term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Start date of current contractual arrangement (see Note (a))	Nature and description of the transaction	Basis for determining the consideration
8. Baishuihe Four Hydro Stations PPA (see Note (c)) Date: 28 September 2015 Term: From 28 September 2016 to 27 September 2017 (automatically renewable - see Note (d))	Guangdong Huaiji Changxin Hydro-electric Power Company Limited (" CLP-GHC ") Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (" CLP-GHG ") CLP-GHW CLP-GHX All of the above companies are subsidiaries of the Company.	CSG-ZPB	23 February 2012	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 3 above
9. Niuqi Hydro Station PPA (see Note (c)) Date: 26 July 2016 Term: From 26 July 2016 to 25 July 2017 (automatically renewable - see Note (d))	CLP-GHX	CSG-ZPB	12 January 2009	As in item 3 above	As in item 3 above
The Yang_er hydro project					
10. Yang_er Hydro Project PPA (see Note (c) and Section 2 of this announcement) Date: 14 October 2016 Term: From 1 January 2017 to 31 December 2017 (automatically renewable - see Note (e))	Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (" CLP Dali Yang_er ")	Yunnan Power Grid Company Limited, a subsidiary of CSG (" CSG-YPG ")	19 August 2009	CLP Dali Yang_er sells electricity to CSG-YPG.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Yunnan Provincial Development and Reform Commission (" Yunnan PDRC ") and subject to adjustment in accordance with the Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan Provincial Industry and Information Technology Commission in 2016 (" Yunnan Implementation Scheme Document ").

Name, date and current term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Start date of current contractual arrangement (see Note (a))	Nature and description of the transaction	Basis for determining the consideration
11. High Voltage Electricity Supply Contract Date: 23 June 2016 Term: From 10 May 2016 to 9 May 2019 (automatically renewable - see Note (f))	CLP Dali Yang_er	Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG ("CSG Yangbi")	1 September 2009	CSG Yangbi supplies electricity to CLP Dali Yang_er for use by the facilities at the main dam.	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Yunnan PDRC. This tariff is updated from time to time.
12. High Voltage Electricity Supply Contract Date: 23 June 2016 Term: From 10 May 2016 to 9 May 2019 (automatically renewable - see Note (f))	CLP Dali Yang_er	CSG Yangbi	1 September 2009	CSG Yangbi supplies electricity (10kV) to CLP Dali Yang_er during overhaul related outages.	As in item 11 above
13. High Voltage Electricity Supply Contract (see Note (b)) Date: 4 November 2009 (continuingly valid until signing of a new agreement)	CLP Dali Yang_er	Dali Power Bureau of CSG-YPG, a subsidiary of CSG ("CSG-DPB")	4 November 2009	CSG-DPB supplies electricity (110kV) to CLP Dali Yang_er during overhaul related outages.	As in item 11 above
The Fangchenggang coal-fired project (Phases I and II)					
14. Fangchenggang Coal-fired Project PPA (see Note (c) and Section 2 of this announcement) Date: 30 December 2016 Term: From 1 January 2017 to 31 December 2017 for Phases I and II (automatically renewable - see Note (g))	CLP Guangxi Fangchenggang Power Company Limited, a subsidiary of the Company ("CLP-FCG")	Guangxi Power Grid Company Limited, a subsidiary of CSG ("CSG Guangxi")	28 August 2007	CLP-FCG sells electricity to CSG Guangxi.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the Guangxi Price Bureau. This tariff is published at Guangxi Price Bureau Document GuiJiaGe [2016] No. 2 and is updated from time to time.
15. Fangchenggang High Voltage Electricity Supply Contract (see Note (b)) Date: 27 September 2015 Term: From 27 September 2015 to 26 September 2017 (automatically renewable - see Note (h))	CLP-FCG	Fangchenggang Power Bureau of CSG Guangxi, a subsidiary of CSG ("CSG-FPB")	9 December 2006	CSG-FPB supplies standby electricity to CLP-FCG.	As in item 14 above

Name, date and current term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Start date of current contractual arrangement (see Note (a))	Nature and description of the transaction	Basis for determining the consideration
16. Fangchenggang High Voltage Electricity Supply Contract (see Note (b)) Date: 1 June 2009 Term: From 1 June 2015 to 31 May 2017 (automatically renewable - see Note (h))	CLP-FCG	CSG Guangxi	1 June 2009	CSG Guangxi supplies standby electricity to CLP-FCG.	As in item 14 above
The Xicun solar project (Phases I and II)					
17. Xicun Solar Project PPA (see Note (c) and Section 2 of this announcement) Date: 14 October 2016 Term: From 1 January 2017 to 31 December 2017 for Phases I and II (automatically renewable - see Note (i))	CLP Dali (Xicun) Solar Power Co., Ltd, a wholly-owned subsidiary of the Company ("CLP Xicun")	CSG-YPG	24 September 2014	CLP Xicun sells electricity to CSG-YPG.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the National Development and Reform Commission ("NDRC") and subject to adjustment in accordance with the Yunnan Implementation Scheme Document.
18. Xicun Solar Project Electricity Supply Contract (10kV) (see Note (b)) Date: 11 December 2014 Term: From 11 December 2014 to 10 December 2017 (automatically renewable - see Note (j))	CLP Xicun	Binchuan Electricity Supply Company Limited, a subsidiary of CSG ("CSG Binchuan")	11 December 2014	CSG Binchuan supplies electricity to CLP Xicun (for power consumption at the project site).	As in item 11 above
19. Xicun Solar Project High Voltage Electricity Supply Contract (see Note (k)) Date: 23 June 2016 Term: From 25 January 2016 to 24 January 2019 (automatically renewable - see Note (j))	CLP Xicun	CSG-DPB	27 January 2015	CSG-DPB supplies electricity to CLP Xicun (for power consumption at the project site including auxiliary power and power supply during outage and overhaul).	As in item 11 above
20. Xicun Solar Project High Voltage Power Supply Contract (for pump station) (see Note (b)) Date: 31 July 2015 Term: From 31 July 2015 to 30 July 2018 (automatically renewable - see Note (j))	CLP Xicun	CSG Binchuan	31 July 2015	CSG Binchuan supplies electricity to CLP Xicun (for watering facilities).	Payment is based on the number of kWh sold multiplied by the agricultural tariff for agricultural users determined by the Yunnan PDRC. This tariff is updated from time to time.

Name, date and current term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Start date of current contractual arrangement (see Note (a))	Nature and description of the transaction	Basis for determining the consideration
The Xundian wind project					
21. Xundian Wind Project PPA (see Note (c) and Section 2 of this announcement) Date: 14 October 2016 Term: From 1 January 2017 to 31 December 2017 (automatically renewable - see Note (l))	CLP (Kunming) Renewable Energy Co., Ltd., a wholly-owned subsidiary of the Company ("CLP Xundian")	CSG-YPG	2 December 2015	CLP Xundian sells electricity to CSG-YPG.	As in item 17 above
22. Xundian Wind Project Electricity Supply Contract (see Notes (b) and (m)) Date: 30 November 2015 Term: From 30 November 2015 to 29 November 2018 (automatically renewable - see Note (j))	CLP Xundian	Kunming Power Bureau of CSG-YPG, a subsidiary of CSG ("CSG-KPB")	30 November 2015	CSG-KPB supplies electricity via a 110kV line to CLP Xundian (for start up purposes).	As in item 11 above
23. Xundian Wind Project Electricity Supply Contract (Interim) (see Note (b)) Date: 27 October 2015 Term: From 27 October 2015 to 26 October 2018 (automatically renewable - see Note (n))	CLP Xundian	Xundian Power Supply Company Limited, a subsidiary of CSG ("CSG-XPSC")	27 October 2015	CSG-XPSC supplies electricity to CLP Xundian (for power consumption at the project site during project construction).	Payment is based on the number of kWh sold multiplied by the commercial and industrial use tariff determined by the Yunnan PDRC. This tariff is updated from time to time.
24. Xundian Wind Project 110kV Transmission Line Maintenance Agreement (see Note (b)) Date: 3 March 2016 Term: From 1 January 2016 to 31 December 2016	CLP Xundian	Yunnan Electricity Transmission and Transformation Engineering Company, a subsidiary of CSG ("CSG Yunnan ETTE")	This is a new agreement.	CSG Yunnan ETTE provides regular inspection and maintenance services to CLP Xundian for the 110kV transmission line of the project.	The payment under this agreement comprises a fixed fee of RMB80,094 (HK\$93,683) and a contingency fee calculated at approximately RMB28,302 (HK\$33,104).
The Sandu wind project					
25. Sandu I Wind Project Electricity Supply Contract (220kV) (see Note (b)) Date: 8 December 2015 Term: From 8 December 2015 to 7 December 2018 (automatically renewable - see Note (f))	CLP (Sandu) Renewable Energy Limited, a wholly-owned subsidiary of the Company ("CLP Sandu")	Sandu Power Bureau, a subsidiary of CSG ("CSG-SPB")	8 December 2015	CSG-SPB supplies electricity to CLP Sandu (for power consumption at the project site).	Payment is based on the number of kWh sold multiplied by the industrial use tariff for bulk industrial users determined by the Guizhou Provincial Development and Reform Commission. This tariff is updated from time to time.

Name, date and current term of the agreement	Transaction party within the CLP Group	Transaction party within the CSG Group	Start date of current contractual arrangement (see Note (a))	Nature and description of the transaction	Basis for determining the consideration
26. Sandu I Wind Project Interim PPA (see Notes (b) and (c)) Date: 31 March 2016 Term: From 31 March 2016 and is continuingly valid until the signing of a formal PPA which is expected to be around September 2017	CLP Sandu	Guizhou Power Grid Company Limited, a subsidiary of CSG ("CSG Guizhou")	This is a new agreement.	A temporary arrangement for the sale of electricity by CLP Sandu to CSG Guizhou until the signing of a formal PPA.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the NDRC. The tariff is published in the NDRC Document FaGaiJiaGe [2014] No. 3008 and is updated from time to time.

Notes:

- (a) Where an agreement has been renewed automatically (as variously described in the following footnotes), this refers to the start date of the initial written agreement which has since been renewed and is now represented by the current agreement and term shown in the first column.
- (b) The agreement remains ongoing but is not required to be set out in Table A above as it was entered into or renewed either before the date of the 2016 First Announcement or the 2016 Second Announcement, as applicable, and was disclosed therein; however, it is included in Table A for completeness.
- (c) The industry practice in the PRC is for each PPA to be accompanied by one or more GCCs or other ancillary agreements. The GCCs and ancillary agreements (such as metering agreements) set out operational and technical provisions for allowing grid connection for the generation assets and are entered into by the same CLP party and CSG party (or another CSG Group company) to the PPA. There is no transactional value in the GCCs or ancillary agreements. In practice, the GCCs and ancillary agreements are dependent on the PPAs and will fall away when the relevant PPA is terminated. Given their nature and for clarity of presentation, the table above does not include details of the GCCs and ancillary agreements as they are sufficiently summarised in this note unless such ancillary agreement carries transactional value separately from the PPA.
- (d) Automatically renewed and extended for a one year term if no party objects prior to the expiry of the current term. During the extended term, a party may object to the continuation of the extended term by giving a written notice of objection to the other party and if no agreement could be reached within 60 working days therefrom, the agreement terminates automatically.
- (e) The Yang_er Hydro Project PPA was entered into on 14 October 2016 in respect of a one year period from 1 January to 31 December 2016; thereafter, it was automatically renewed for a subsequent one year term (and further successive one year period(s)) if no party objects upon the expiry of the current term.
- (f) Automatically renewed for a subsequent one year term (and further successive one year period(s)) if the user continues to use the power supply and no party objects in writing upon the expiry of the current term.
- (g) Automatically renewed and extended for a one year term if no party objects within one month upon expiry of the current term.
- (h) Automatically renewed for another two year period (and further successive two year period(s)) if the user continues to use the power supply and no party objects in writing upon the expiry of the current term.
- (i) The Xicun Solar Project PPA for both Phases I and II was entered into on 14 October 2016 in respect of a one year period from 1 January to 31 December 2016; thereafter, it was automatically renewed for a subsequent one year term (and further successive one year period(s)) if no party objects upon the expiry of the current term.
- (j) Automatically renewed for a subsequent three year term (and further successive three year period(s)) if the user continues to use the power supply and no party objects in writing upon the expiry of the current term.
- (k) The agreement replaced the previous agreement which was known as Xicun Solar Project Electricity Supply Contract (110kV) that was entered into on 27 January 2015 and was disclosed in the 2016 First Announcement.
- (l) The Xundian Wind Project PPA was entered into on 14 October 2016 in respect of a one year period from 1 January to 31 December 2016; thereafter, it was automatically renewed for a subsequent one year term (and further successive one year period(s)) if no party objects upon the expiry of the current term.
- (m) In connection with the Xundian Wind Project Electricity Supply Contract ("ESC"), an electricity charging and payment agreement was entered into on 26 October 2016 between CLP Xundian and CSG-KPB for the implementation of pre-payment arrangement which will have no effect on the ultimate contract value of the ESC.
- (n) Automatically renewed for a subsequent three year term (and further successive three year period(s)) if no party objects in writing.

2. HISTORICAL TRANSACTION VALUES AND PROPOSED NEW ANNUAL AGGREGATE CAP

Annual Aggregate Cap

As continuing connected transactions, the Listing Rules require the transactions to be subject to annual caps determined by the Company. The Transactions on an aggregated basis are subject to the Annual Aggregate Cap which has been set for this purpose. If the actual aggregate value for the Transactions exceeds the Annual Aggregate Cap, the Company will have to re-comply with the relevant Listing Rules requirements, such as, the announcement requirements.

Table B below sets out the following regarding the Transactions:

1. the historical transaction values for (a) the eleven months ended 30 November 2016 (based on the historical information available for the purpose of this announcement) and (b) the two financial years ended 31 December 2014 and 2015; and
2. the proposed annual cap by individual Transaction and project and the Annual Aggregate Cap.

Monitoring the Caps

The total actual value for all the Transactions will be compared against the Annual Aggregate Cap when monitoring the annual cap for Listing Rules purposes. The individual caps by Transaction and project are set out in Table B for reference only and for the purpose of deriving the Annual Aggregate Cap. Projects may exceed or fall short of their individual caps as long as, on an aggregated basis, the value of all Transactions is within the Annual Aggregate Cap. The Annual Aggregate Cap or the individual caps, however, shall not be treated as a forecast of the actual revenues or expenses likely to be received or incurred by the CLP Group, as the case may be, for the Transactions or the individual projects in the financial year for 2017.

The Annual Aggregate Cap is set by reference to the Company's financial year ending 31 December and the annual transaction value takes into account that most of the Transactions are annual agreements which are subject to renewal at various times during the year. The Company has also made an allowance within the Annual Aggregate Cap for Prospective Projects (as shown in Table B) to cater for any new Transactions which may be entered into during 2017.

For the purpose of monitoring compliance with the Annual Aggregate Cap, the Company will calculate the value of the electricity (or other service) delivered under the relevant agreement at the PRC controlled tariff (or other contractual price) prevailing at the relevant time through the year, exclusive of VAT. Where any agreement expires and is renewed during any financial year, the value of the electricity (or other service) delivered during the financial year will be time apportioned under the expiring agreement and the renewed agreement respectively.

Table B – Historical transaction values, proposed annual cap by individual Transaction and project, and the Annual Aggregate Cap

	Continuing Connected Transactions	Historical Transaction Values (excluding VAT) (HK\$ million)			Proposed Annual Caps (HK\$ million)
		For the year ended 31 December	For the year ended 31 December	For the eleven months ended 30 November	For the year ending 31 December
		2014	2015	2016	2017
CLP Power electricity sales to Mainland China					
1.	Power Sales Contract	185.85	142.51	130.30	176.00
2.	Energy Economy Interchange Agreement (agreement entered into in 2015)	N/A	-	- (see Note (o))	200.00
	<i>Aggregate project cap (historical aggregate for reference only)</i>	185.85	142.51	130.30	376.00
The Huaiji hydro project					
3.	Zelian Hydro Station PPA	4.62	4.50	4.64	5.05
4.	Longzhongtan Hydro Station PPA	2.73	2.73	3.15	3.36
5.	Jiaoping Hydro Station PPA	2.05	2.12	2.35	2.42
6.	Xiazhu Hydro Station PPA	8.36	4.59	8.01	8.94
7.	Shuixia Hydro Station PPA	34.10	37.93	41.59	42.89
8.	Baishuihe Four Hydro Stations PPA	175.73	145.88	198.37	218.64
9.	Niuqi Hydro Station PPA	28.57	24.82	29.71	31.41
	<i>Aggregate project cap (historical aggregate for reference only)</i>	256.16	222.57	287.82	312.71
The Yang_er hydro project					
10.	Yang_er Hydro Project PPA	36.00	31.85	26.10	37.74
11.	High Voltage Electricity Supply Contract	0.02	0.01	0.01	0.03
12.	High Voltage Electricity Supply Contract	0.01	-	-	0.02

	Continuing Connected Transactions	Historical Transaction Values (excluding VAT) (HK\$ million)			Proposed Annual Caps (HK\$ million)
		For the year ended 31 December	For the year ended 31 December	For the eleven months ended 30 November	For the year ending 31 December
		2014	2015	2016	2017
13.	High Voltage Electricity Supply Contract (see Note (p))	0.01	0.01	0.01	0.02
	<i>Aggregate project cap (historical aggregate for reference only)</i>	36.04	31.87	26.12	37.81
The Fangchenggang coal-fired project (Phases I and II)					
14.	Fangchenggang Coal-fired Project PPA	2,263.73	1,356.07	958.70	2,364.00
15.	Fangchenggang High Voltage Electricity Supply Contract	8.43	6.44	12.31	28.91
16.	Fangchenggang High Voltage Electricity Supply Contract	0.25	0.01	-	0.02
	<i>Aggregate project cap (historical aggregate for reference only)</i>	2,272.41	1,362.52	971.01	2,392.93
The Xicun solar project (Phases I and II)					
17.	Xicun Solar Project PPA	14.73	109.52	124.23	152.39
18.	Xicun Solar Project Electricity Supply Contract (10kV)	-	0.06	0.02	0.10
19.	Xicun Solar Project High Voltage Electricity Supply Contract	-	0.32	0.53	0.60
20.	Xicun Solar Project High Voltage Power Supply Contract (for pump station) (agreement entered into in 2015)	N/A	0.01	0.07	0.10
	<i>Aggregate project cap (historical aggregate for reference only)</i>	14.73	109.91	124.85	153.19
The Xundian wind project (commenced in 2015)					
21.	Xundian Wind Project PPA	N/A	-	71.86	85.20

	Continuing Connected Transactions	Historical Transaction Values (excluding VAT) (HK\$ million)			Proposed Annual Caps (HK\$ million)
		For the year ended 31 December	For the year ended 31 December	For the eleven months ended 30 November	For the year ending 31 December
		2014	2015	2016	2017
22.	Xundian Wind Project Electricity Supply Contract	N/A	-	0.10	0.20
23.	Xundian Wind Project Electricity Supply Contract (Interim)	N/A	-	-	0.05
24.	Xundian Wind Project 110kV Transmission Line Maintenance Agreement (new agreement entered into for 2016 only)	N/A	N/A	0.09	N/A
	<i>Aggregate project cap (historical aggregate for reference only)</i>	N/A	-	72.05	85.45
The Sandu wind project (commenced in 2015)					
25.	Sandu I Wind Project Electricity Supply Contract (220kV)	N/A	0.03	0.25	0.48
26.	Sandu I Wind Project Interim PPA (new agreement in 2016)	N/A	N/A	100.84	157.93
	<i>Aggregate project cap (historical aggregate for reference only)</i>	N/A	0.03	101.09	158.41
Prospective Projects					
27.	Provision for new projects	N/A	N/A	N/A	960.90
Annual Aggregate Cap (total of items 1-27) rounded up to next million					4,478

Notes:

- (o) There was no transactional value in 2016 as no electricity was supplied by either CLP Group party or CSG Group party under the terms of the agreement in the event of emergency incidents (see also Section 3 of this announcement).
- (p) The Company is not required to include the agreement for item 13 in this table as it was entered into before CSG Group becoming a connected person of the Company (see Note (b) of Table A in respect of item 13). However, cap for this agreement has been set for the purposes of calculating the 2017 Annual Aggregate Cap for completeness.
- (q) In the above table, the applicable average RMB:HK\$ exchange rate for the relevant period is used, being for the twelve months ended 31 December 2014 and 2015 respectively, and for the eleven months ended 30 November 2016.

The section below sets out the basis for the Company's determination of the Annual Aggregate Cap and the caps by project category.

CLP Power electricity sales to Mainland China

The aggregate project cap for 2017 in respect of this category is HK\$376 million which comprises the Power Sales Contract (cap of HK\$176 million) and the Energy Economy Interchange Agreement (cap of HK\$200 million).

The annual cap for the Power Sales Contract was based on the expected value of sales estimated by the parties to the Power Sales Contract; this is relatively higher than the expected amount for 2016 but is comparable with the historical values for the past three years.

The Energy Economy Interchange Agreement concerns the potential emergency electricity supply to CSG-GPG grid system (as power importer) by CLP Power. The annual cap has been determined by reference to the expected total associated costs of electricity supply to be paid by the power importer in an emergency incident affecting its power system. The other aspect of this agreement which relates to the potential emergency electricity supply to the CLP Power grid system will not be aggregated with the Transactions as the nature of this is the sale or supply of electricity to CLP Power; as opposed to the sale or supply of electricity to the CSG Group.

Power Projects in Mainland China

Hydro, wind and solar projects

For the hydro, wind and solar projects in Mainland China, their project caps for 2017 have been determined by reference to the past years' performance of the respective projects, including the Sandu wind project which commenced commercial operation midway through 2016, and the long-term historical average of the hydro, wind or solar resources in the respective regions where these projects are located. The project caps for these projects are largely consistent with the transaction values for these projects for 2016.

Yang_er hydro, Xicun solar and Xundian wind projects

For Yang_er hydro, Xicun solar and Xundian wind projects, these projects are expected to participate in the Yunnan provincial authority's electricity trading scheme in 2017 as part of the power sector reform. The trading scheme comprises the direct sales arrangement where tariffs would be determined by negotiation with the end users and a competitive bidding process where the bidding result for that portion of electricity sales would determine the applicable tariff. However, as the contractual and commercial arrangement for the relevant power purchase under this new process has yet to be determined, in particular, the role of the relevant CSG grid company in this arrangement, it remains to be seen whether these would constitute continuing connected transactions. Accordingly, the actual transaction values for 2017 may be much lower than the project caps as set out in this announcement if the new arrangements do not constitute continuing connected transactions with the CSG Group.

Fangchenggang coal-fired project

The aggregate project cap in respect of the Fangchenggang Coal-fired Project Transactions for 2017 is HK\$2,392.93 million and for comparison, the actual historical transaction value up to November 2016 was HK\$971.01 million and the 2016 project cap was HK\$2,721.52 million as disclosed in the 2016 Second Announcement. The said actual historical transaction value up to November 2016 did not include any material revenue from Phase II of the project as this was commissioned in late 2016. The 2017 project cap remains lower than the 2016 project cap for a number of reasons: (a) the expected continuation of sluggish power demand growth in the Guangxi region; (b) new capacity and higher utilisation of hydro power stations in the Guangxi region; (c) the expected further participation in the direct sales scheme as part of the Guangxi region power sector reform policies, which, based on the direct sales agreements that the project company has signed with the end users, do not constitute continuing connected transactions.

Prospective Projects

This item represents an allowance within the Annual Aggregate Cap for new projects which may be acquired, undertaken or commissioned by the CLP Group in the PRC during 2017 and, if so, the associated PPA and other related agreements would become continuing connected transactions which are not included in the aggregate project caps for any of the existing projects listed in Table B above.

This allowance is based on the estimated commencement date, the expected date on which the transaction would constitute a continuing connected transaction, the expected volume of electricity supply and sales, type of generation plants and capacity of the Prospective Projects, to which the appropriate state pre-determined tariff or an arm's length negotiated tariff would be expected to be applied, as the case may be. Generally, the Prospective Projects are individually small or medium sized projects and do not include larger projects which may cause one or more of the relevant percentage ratios under the Listing Rules to exceed the 1% (on an individual basis) or 5% (on an individual or aggregated basis) thresholds. The Company will publish a separate announcement as and when the relevant percentage ratio is exceeded which will include, *inter alia*, details of these larger projects, as and when definitive agreements are signed up for these, to comply with the Listing Rules.

3. REASONS FOR ENTERING INTO THE TRANSACTIONS

Power Sales Contract by CLP Power to Mainland China: CLP Power first supplied power to Guangdong Province in 1979 and CLP Power has continued to supply electricity to Mainland China over the years. 80% of the profit derived from these sales goes to the Tariff Stabilisation Fund under the Scheme of Control to help relieve pressure on local tariffs. This also represents an additional source of revenue for the CLP Group.

Energy Economy Interchange Agreement: This agreement enables CLP Power and CSG-GPG to maintain an uninterrupted supply of electricity to their respective customers in case any party is affected by an emergency incident resulting in an interruption in normal

electricity supply to its customers. Under this agreement, neither CLP Power nor CSG-GPG is obliged to deliver any electricity to the other requesting party; however, the underlying principle of this agreement is the mutual support (whilst being on an arm's length basis) for maintaining the operation and security of each other's power supply system.

Power Purchase Agreements: The CLP Group has been involved in the power industry in Mainland China since 1985 and is one of the largest external independent power producers in the Mainland's power sector. These activities are carried out through numerous power project companies which may be wholly-owned (as in the Yang_er hydro, Xicun solar, Xundian wind and Sandu wind projects), majority-owned (as in the Huaiji hydro and Fangchenggang coal-fired projects), or minority-owned by the CLP Group.

The PPAs, usually associated with GCCs, and other ancillary agreements are entered into individually by each power project company and are the primary means by which the relevant power project company can connect and supply to the local grid and obtain a source of revenue.

The Directors (including the Independent Non-executive Directors) consider that all of the Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

4. LISTING RULES IMPLICATIONS

Connected person at the subsidiary level

CSG Group is a connected person of the Company (at its subsidiary level) by virtue of CSG HK, a wholly-owned subsidiary of CSG, being a substantial shareholder of CAPCO, a subsidiary of the Company. Accordingly, the Transactions with members of the CSG Group constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Annual Aggregate Cap

The Annual Aggregate Cap of HK\$4,478 million is used for monitoring the annual cap for Listing Rules purposes and this has exceeded the 5% threshold (revenue ratio) under the Listing Rules. This was triggered with the entering into the 2017 FCG PPA and as this is a continuing connected transaction with a connected person at the subsidiary level, the 2017 FCG PPA would be exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 provided that (a) the Directors have approved the 2017 FCG PPA, and (b) the Independent Non-executive Directors have confirmed that the terms of the 2017 FCG PPA are fair and reasonable, the transaction is on normal commercial terms and in the ordinary and usual course of business of the CLP Group and in the interests of the Company and its Shareholders as a whole.

Directors' approval and Independent Non-executive Directors' confirmation

The Company has satisfied these two requirements in that the Directors have approved the 2017 FCG PPA and that the Independent Non-executive Directors have confirmed that the terms of the 2017 FCG PPA are fair and reasonable, and the transaction is on normal commercial terms and in the ordinary and usual course of business of the CLP Group, and in the interests of the Company and its Shareholders as a whole. In confirming that the 2017 FCG PPA is on normal commercial terms, the Directors noted that this agreement is a regulated power purchase agreement for a power project in Mainland China and is entered into and administered in accordance with the relevant regulations. None of the Directors has any material interest in the 2017 FCG PPA and none was required to abstain from voting on the board resolutions to approve the 2017 FCG PPA.

Accordingly, the 2017 FCG PPA with the other ongoing Transactions are only subject to the announcement requirements (Rules 14A.35 and 14A.68) and the annual review requirements (Rules 14A.55 to 14A.59) and are exempt from the circular, independent financial advice and shareholders' approval requirements. Particulars of the Transactions (including the 2017 FCG PPA) will be included in the annual report of the Company (Rules 14A.49 and 14A.71).

PPA and power sector requirements

For the Fangchenggang coal-fired project, Yang_er hydro project, Xicun solar project and Xundian wind project, a different form of PPA was used and signed for the current renewal as disclosed in this announcement. The form used was one of two types of PPA form that are commonly used in the PRC power sector and it expressly contains the automatic renewal provision and will continue unless and until terminated by either party. This was changed from the other form of a fixed term of one year with no express renewal provision under which the renewal was by continued performance upon expiry of the current term.

5. INFORMATION ABOUT THE PARTIES

CLP Holdings is the holding company of the CLP Group. The CLP Group owns and operates a vertically integrated electricity generation, transmission and distribution, and retail business in Hong Kong (through CLP Power), and invests in the power sector in Mainland China, India, Southeast Asia, Taiwan and Australia.

CLP Power is a direct wholly-owned subsidiary of CLP Holdings and is the largest electricity utility in Hong Kong serving the business and domestic community in Kowloon, the New Territories, Lantau and most of the outlying islands. CLP Power supplies electricity to approximately 2.5 million customer accounts in its supply area.

CSG is a company established in the PRC with limited liability and is a state-owned enterprise principally engaged in the investment, construction and operation of power networks in Guangdong, Guangxi, Yunnan, Guizhou and Hainan provinces and regions in the PRC.

CSG HK is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of CSG.

6. DEFINITIONS

Unless the context otherwise requires, terms used in this announcement shall have the following meanings:

“2016 First Announcement”	the Company’s announcement dated 4 January 2016
“2016 Second Announcement”	the Company’s announcement dated 29 April 2016
“2017 FCG PPA”	the “PPA” for the Fangchenggang coal-fired project under item (14) of Table A in this announcement
“Annual Aggregate Cap”	the total of all the annual caps for all the “Transactions” and the provision for “Prospective Projects” for 2017 as shown in Table B of this announcement
“CAPCO”	Castle Peak Power Company Limited, a company incorporated in Hong Kong with limited liability which is owned as to 70% and 30% by CLP Power and CSG HK, respectively, and is a subsidiary of CLP Holdings
“CLP Group”	CLP Holdings and its subsidiaries
“CLP Holdings” or “Company”	CLP Holdings Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the “Stock Exchange” (Stock Code: 00002)
“CLP Power”	CLP Power Hong Kong Limited, a company incorporated in Hong Kong with limited liability which is a direct wholly-owned subsidiary of CLP Holdings
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSG”	China Southern Power Grid Co., Ltd., a company established in the PRC with limited liability which is a state-owned enterprise
“CSG-GPG”	Guangdong Power Grid Co., Ltd., a company incorporated in the PRC which is a subsidiary of CSG
“CSG Group”	CSG and its subsidiaries

“CSG HK”	China Southern Power Grid International (HK) Co., Limited, a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of CSG
“Directors”	the directors of the Company
“Energy Economy Interchange Agreement”	the energy economy interchange agreement entered into between CLP Power and CSG-GPG, details of which are set out in the transaction under item (2) in Table A and Section 3 of this announcement
“Fangchenggang Coal-fired Project Transactions”	each of the continuing connected transactions relating to the Fangchenggang coal-fired project, which are transactions under items (14) to (16) inclusive in Table A of this announcement
“GCC”	Grid Connection Contract
“GWh”	Gigawatt hours
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Huaiji Hydro Project Transactions”	each of the continuing connected transactions relating to the Huaiji hydro project, which are transactions under items (3) to (9) inclusive in Table A of this announcement
“kV”	Kilovolt
“kWh”	Kilowatt hours
“Listing Rules” or “Rule(s)”	the Rules Governing the Listing of Securities on the Stock Exchange
“Power Sales Contract”	the supplemental power sales contract entered into between CLP Power, CSG-GPG and Guangdong Guang-hua Industry Import and Export Co., Ltd (as payment agent of CSG-GPG), details of which are set out in the transaction under item (1) in Table A of this announcement
“PPA”	Power Purchase Agreement
“PRC”	the People’s Republic of China

“Prospective Projects”	new projects in the PRC for which the PPAs and related agreements may become continuing connected transactions during 2017 as described in Section 2 of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sandu Wind Project Transactions”	each of the continuing connected transactions relating to the Sandu wind project, which are transactions under items (25) and (26) in Table A of this announcement
“Shareholders”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Transactions”	each of the continuing connected transactions as set out in Table A of this announcement relating to the Power Sales Contract, the Energy Economy Interchange Agreement, the Huaiji Hydro Project Transactions, the Yang_er Hydro Project Transactions, the Fangchenggang Coal-fired Project Transactions, the Xicun Solar Project Transactions, the Xundian Wind Project Transactions and the Sandu Wind Project Transactions entered into between members of the CSG Group and members of the CLP Group on various dates, and (where the context requires) includes Prospective Projects
“VAT”	value added tax
“Xicun Solar Project Transactions”	each of the continuing connected transactions relating to the Xicun solar project, which are transactions under items (17) to (20) inclusive in Table A of this announcement
“Xundian Wind Project Transactions”	each of the continuing connected transactions relating to the Xundian wind project, which are transactions under items (21) to (24) inclusive in Table A of this announcement

“Yang_er Hydro Project Transactions”

each of the continuing connected transactions relating to the Yang_er hydro project, which are transactions under items (10) to (13) inclusive in Table A of this announcement

“%”

per cent

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 3 January 2017

中電控股有限公司
CLP Holdings Limited

(incorporated in Hong Kong with limited liability)

(Stock Code: 00002)

The Directors of CLP Holdings as at the date of this announcement are:

Non-executive Directors:

The Hon Sir Michael Kadoorie, Mr William Mocatta,
Mr J. A. H. Leigh, Mr Andrew Brandler and Dr Y. B. Lee

Independent Non-executive Directors:

Mr V. F. Moore, Sir Rod Eddington, Mr Nicholas C. Allen,
Mr Vincent Cheng, Mrs Fanny Law, Ms Irene Lee
and Mrs Zia Mody

Executive Directors:

Mr Richard Lancaster and Mr Geert Peeters



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