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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

Summary and highlights

- With effect from 1 January 2018, CLP Group's power purchase agreements ("PPAs") for the following power projects were renewed with the CSG Group: Fangchenggang coal-fired, Xicun solar and Xundian wind projects.
- These PPAs constitute continuing connected transactions for CLP Holdings as the CSG Group is a connected person of CLP Holdings (at the subsidiary level).
- Upon the renewal of these PPAs, and when aggregated with other power sales related continuing connected transactions entered into or renewed with the CSG Group during 2017, the projected Annual Aggregate Cap for all of these transactions is expected to be more than 1% but less than 5% of the relevant Listing Rules percentage ratio; thereby triggering the requirement to make this announcement, as well as the annual review requirements under the Listing Rules.
- This announcement sets out, amongst other things, the following details concerning the Transactions: the background and the reasons for entering into the Transactions, the historical transaction values (eleven months for 2017) and the project caps and how these were determined.

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 the 2017 Announcement.

Since the publication of the 2017 Announcement, (a) some of the continuing connected transactions disclosed therein have been renewed; and (b) new agreements for existing projects which constitute continuing connected transactions have been entered into. These relate to the Power Sales Contract, the Energy Economy Interchange Agreement, a number of PPAs and other related agreements for the existing projects of the CLP Group in Mainland China. These Transactions have been aggregated, for Listing Rules purposes, on the basis that these are agreements where the CLP Group sells electricity to the CSG Group or agreements associated with such sales.

With effect from 1 January 2018, the PPAs for Fangchenggang coal-fired, Xicun solar and Xundian wind projects were renewed. When aggregated with other continuing connected transactions entered into or renewed between the CLP Group and the CSG Group during 2017, the relevant percentage ratio (i.e. the revenue ratio) under the Listing Rules in respect of the projected Annual Aggregate Cap is more than 1% but less than 5% thereby triggering this announcement obligation.

All of the above agreements for the Transactions were conducted in the ordinary and usual course of business of the CLP Group and their principal terms 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
1. CLP Power electricity sales to Mainland China					
1.1 Power Sales Contract Date: 13 December 2017 Term: From 1 January 2018 to 31 December 2018	CLP Power	CSG-GPG Guangdong Power Grid Materials Company Limited, 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.
1.2 Energy Economy Interchange Agreement Date: 9 October 2017 Term: From 25 December 2017 to 24 December 2018	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 1.1 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
2. The Huaiji hydro project					
2.1 Zelian Hydro Station PPA (see Note (b)) Date: 28 September 2015 Term: From 28 September 2017 to 27 September 2018 (automatically renewable - see Note (c))	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 Guangdong Provincial Price Bureau. This tariff is published at Guangdong Provincial Price Bureau Document Yuelia [2013] No. 177 and is updated from time to time. The above pricing also applies to items 2.2-2.7.
2.2 Longzhongtan Hydro Station PPA (see Note (b)) Date: 28 September 2015 Term: From 28 September 2017 to 27 September 2018 (automatically renewable - see Note (c))	CLP-GHX	CSG-ZPB	23 July 2009	As in item 2.1 above	As in item 2.1 above
2.3 Jiaoping Hydro Station PPA (see Note (b)) Date: 28 September 2015 Term: From 28 September 2017 to 27 September 2018 (automatically renewable - see Note (c))	CLP-GHX	CSG-ZPB	23 July 2009	As in item 2.1 above	As in item 2.1 above
2.4 Xiazhu Hydro Station PPA (see Note (b)) Date: 28 September 2015 Term: From 28 September 2017 to 27 September 2018 (automatically renewable - see Note (c))	CLP-GHX	CSG-ZPB	23 July 2009	As in item 2.1 above	As in item 2.1 above
2.5 Shuixia Hydro Station PPA (see Note (b)) Date: 28 September 2015 Term: From 28 September 2017 to 27 September 2018 (automatically renewable - see Note (c))	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 2.1 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
2.6	<p>Baishuihe Four Hydro Stations PPA (see Note (b))</p> <p>Date: 28 September 2015</p> <p>Term: From 28 September 2017 to 27 September 2018 (automatically renewable - see Note (c))</p>	<p>Guangdong Huaiji Changxin Hydro-electric Power Company Limited (“CLP-GHC”)</p> <p>Guangdong Huaiji Gaotang Hydro-electric Power Company Limited (“CLP-GHG”)</p> <p>CLP-GHW</p> <p>CLP-GHX</p> <p>All of the above companies are subsidiaries of the Company.</p>	CSG-ZPB	23 February 2012	CLP-GHC, CLP-GHG, CLP-GHW and CLP-GHX sell electricity to CSG-ZPB.	As in item 2.1 above
2.7	<p>Niuqi Hydro Station PPA (see Note (b))</p> <p>Date: 26 July 2016</p> <p>Term: From 26 July 2017 to 25 July 2018 (automatically renewable - see Note (c))</p>	CLP-GHX	CSG-ZPB	12 January 2009	As in item 2.1 above	As in item 2.1 above
3. The Yang_er hydro project						
3.1	<p>Yang_er Hydro Project PPA (see Note (d) and Section 2 of this announcement)</p> <p>Date: 14 October 2016</p> <p>Term: From 1 January 2018 to 31 December 2018</p>	<p>Dali Yang_er Hydropower Development Co., Ltd., a wholly-owned subsidiary of the Company (“CLP Dali Yang_er”)</p>	<p>Yunnan Power Grid Company Limited, a subsidiary of CSG (“CSG-YPG”)</p>	19 August 2009	See Note (d) and Section 2 of this announcement.	N/A
3.2	<p>Yang_er Hydro Project High Voltage Electricity Supply Contract (see Note (e))</p> <p>Date: 23 June 2016</p> <p>Term: From 10 May 2016 to 9 May 2019 (automatically renewable - see Note (f))</p>	CLP Dali Yang_er	<p>Yangbi Electricity Supply Co., Ltd., a subsidiary of CSG (“CSG Yangbi”)</p>	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 Provincial Development and Reform Commission (“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
3.3	Yang_er Hydro Project High Voltage Electricity Supply Contract (see Note (e)) 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 3.2 above
3.4	Yang_er Hydro Project High Voltage Electricity Supply Contract (see Note (e)) 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 3.2 above
4. The Fangchenggang coal-fired project (Phases I and II)						
4.1	Fangchenggang Coal-fired Project PPA (see Note (b) and Section 2 of this announcement) Date: 30 December 2016 Term: From 1 January 2018 to 31 December 2018 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 [2017] No. 34 and is updated from time to time.
4.2	Fangchenggang High Voltage Electricity Supply Contract Date: 27 September 2015 Term: From 27 September 2017 to 26 September 2019 (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 4.1 above
4.3	Fangchenggang High Voltage Electricity Supply Contract (see Note (e)) Date: 1 June 2009 (continuingly valid if no party objects)	CLP-FCG	CSG-FPB	1 June 2009	CSG-FPB supplies standby electricity to the water pumping facilities of CLP-FCG.	As in item 4.1 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
4.4	Fangchenggang Direct Sales Agreement Date: 15 August 2017 Term: From 1 July 2017 to 31 December 2017	CLP-FCG	Guangxi Nengyuan Lianhe Power Retail Co., Ltd., a subsidiary of CSG (“ CSG Nengyuan ”)	This is a new agreement.	CLP-FCG sells electricity to CSG Nengyuan, as purchaser, under a direct sales agreement.	The applicable tariff was determined and negotiated on an arm’s length basis with reference to prevailing tariffs at the material time.
5. The Xicun solar project (Phases I and II)						
5.1	Xicun Solar Project PPA (see Note (b) and Section 2 of this announcement) Date: 14 October 2016 Term: From 1 January 2018 to 31 December 2018 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 Implementation Scheme for Trading in Yunnan Electricity Market issued by Yunnan Provincial Industry and Information Technology Commission, Yunnan PDRC and Yunnan Provincial Energy Administration in 2017 (“ Yunnan Implementation Scheme Document ”) and is updated from time to time.
5.2	Xicun Solar Project Electricity Supply Contract (10kV) Date: 11 December 2014 Term: From 11 December 2017 to 10 December 2020 (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 3.2 above
5.3	Xicun Solar Project High Voltage Electricity Supply Contract (see Note (e)) 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 3.2 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
5.4	Xicun Solar Project High Voltage Electricity Supply Contract (for pump station) (see Note (e)) 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.
6. The Xundian wind project						
6.1	Xundian Wind Project PPA (see Note (b) and Section 2 of this announcement) Date: 14 October 2016 Term: From 1 January 2018 to 31 December 2018 (automatically renewable - see Note (k))	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 5.1 above
6.2	Xundian Wind Project Electricity Supply Contract (see Notes (e) and (l)) 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 3.2 above
6.3	Xundian Wind Project High Voltage Electricity Supply Contract (10kV) (see Note (m)) Date: 19 September 2017 Term: From 19 September 2017 to 18 September 2020 (automatically renewable - see Note (j))	CLP Xundian	Xundian Power Supply Company Limited, a subsidiary of CSG ("CSG-XPSC")	This is a new agreement.	CSG-XPSC supplies electricity to CLP Xundian for use by the facilities in the plant.	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.
7. The Sandu wind project						
7.1	Sandu I Wind Project Electricity Supply Contract (220kV) (see Note (e)) 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
7.2	Sandu I Wind Project Interim PPA (see Note (b)) Date: 31 March 2016 Term: From 31 March 2016 and is continually valid until the signing of a formal PPA which is expected in the first half of 2018	CLP Sandu	Guizhou Power Grid Company Limited, a subsidiary of CSG ("CSG Guizhou")	31 March 2016	A temporary arrangement for CLP Sandu to sell electricity to CSG Guizhou.	Payment is based on the number of GWh sold multiplied by a state pre-determined tariff, determined by the NDRC. The tariff is published at 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 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 Group party and CSG Group 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.
- (c) 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.
- (d) This agreement is included as supplemental information only. As disclosed in the 2017 Announcement, the last 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 and was renewed for a subsequent one year period for 2017 for electricity sales by CLP Dali Yang_er to CSG-YPG based on the state pre-determined tariff determined by the Yunnan PDRC and subject to adjustment in accordance with the then Yunnan Implementation Scheme Document. Commencing from February 2017, as part of China's power sector reform, electricity sales by CLP Dali Yang_er have been carried out entirely through market sales transactions which do not constitute continuing connected transactions for the Company. This agreement was automatically renewed for another one year period from 1 January to 31 December 2018 for the purpose of governing the settlement mechanisms for the market sales between CLP Dali Yang_er and the end users, as well as the collection by CSG-YPG from the end users of proceeds from such sales. Since CLP Dali Yang_er and CSG-YPG do not assume any commercial roles to each other and there is no transactional value in the arrangement, the Company is not required to disclose this agreement in Table A above.
- (e) The agreement remains ongoing but is not required to be set out in Table A above as it was entered into or renewed before the date of the 2017 Announcement and was disclosed therein; however, it is included in Table A for completeness.
- (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) The Fangchenggang Coal-fired Project PPA for both Phases I and II was entered into on 30 December 2016 in respect of a one year period from 1 January to 31 December 2017; it was automatically renewed for one year by continued performance (see also Section 4 of this announcement).
- (h) Automatically renewed for another two year term (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 subsequent one year terms (also subject to further successive one year period(s)) by continued performance 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 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 subsequent one year terms (also subject to further successive one year period(s)) by continued performance if no party objects upon the expiry of the current term.
- (l) 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.
- (m) The agreement replaced the previous agreement which was known as the Xundian Wind Project Electricity Supply Contract (Interim) that was entered into on 27 October 2015 and was disclosed in the 2017 Announcement.

2. HISTORICAL TRANSACTION VALUES AND PROPOSED NEW ANNUAL AGGREGATE CAP

Annual Aggregate Cap

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

Table B below sets out the following regarding the Transactions:

1. the historical transaction values for (a) the eleven months ended 30 November 2017 (based on the historical information available for the purpose of this announcement) and (b) the two financial years ended 31 December 2015 and 2016; and
2. the proposed annual cap by individual Transaction and project, and the Annual Aggregate Cap for the financial year ending 31 December 2018.

Monitoring the Caps

The total actual value of 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 so long as, on 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 2018.

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 for new projects which may be entered into during 2018.

For the purpose of monitoring compliance with the Annual Aggregate Cap, the Company will

calculate the value of the electricity delivered under the relevant agreement at the PRC controlled tariff (or other contractual price) prevailing at the relevant time throughout the year, exclusive of VAT. Where any agreement expires and is renewed during any financial year, the value of the electricity 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

	Historical Transaction Values (excluding VAT) (HK\$ million)			Proposed Annual Caps (HK\$ million)
	For the year ended 31 December 2015	For the year ended 31 December 2016	For the eleven months ended 30 November 2017	For the year ending 31 December 2018
1. CLP Power electricity sales to Mainland China				
1.1 Power Sales Contract	142.51	135.20	132.00	225.00
1.2 Energy Economy Interchange Agreement (see Note (n))	-	-	-	200.00
<i>Aggregate project cap (historical aggregate for reference only)</i>	142.51	135.20	132.00	425.00
2. The Huaiji hydro project				
2.1 Zelian Hydro Station PPA	4.50	4.84	1.72	4.78
2.2 Longzhongtan Hydro Station PPA	2.73	3.22	2.54	3.18
2.3 Jiaoping Hydro Station PPA	2.12	2.48	1.79	2.45
2.4 Xiazhu Hydro Station PPA	4.59	8.18	7.62	8.08
2.5 Shuixia Hydro Station PPA	37.93	43.22	30.99	42.68
2.6 Baishuihe Four Hydro Stations PPA	145.88	198.34	139.76	195.90
2.7 Niuqi Hydro Station PPA	24.82	30.94	24.91	30.56
<i>Aggregate project cap (historical aggregate for reference only)</i>	222.57	291.22	209.33	287.63
3. The Yang_er hydro project				
3.1 Yang_er Hydro Project PPA (see Note (d) under Table A and Section 2 of this announcement)	31.85	29.73	2.79	N/A
3.2 Yang_er Hydro Project High Voltage Electricity Supply Contract	0.01	0.01	0.01	0.05
3.3 Yang_er Hydro Project High Voltage Electricity Supply Contract	-	0.01	-	0.01
3.4 Yang_er Hydro Project High Voltage Electricity Supply Contract (see Note (o))	0.01	-	0.01	0.01
3.5 Prospective Direct Sales Arrangements with members of CSG Group (see Section 2 of this announcement)	N/A	N/A	N/A	2.54
<i>Aggregate project cap (historical aggregate for reference only)</i>	31.87	29.75	2.81	2.61

	Historical Transaction Values (excluding VAT) (HK\$ million)			Proposed Annual Caps (HK\$ million)
	For the year ended 31 December 2015	For the year ended 31 December 2016	For the eleven months ended 30 November 2017	For the year ending 31 December 2018
4. The Fangchenggang coal-fired project (Phases I and II)				
4.1 Fangchenggang Coal-fired Project PPA	1,356.07	826.36	56.35	314.58
4.2 Fangchenggang High Voltage Electricity Supply Contract	6.44	12.76	3.84	14.77
4.3 Fangchenggang High Voltage Electricity Supply Contract (see Note (o))	0.01	-	-	0.01
4.4 Fangchenggang Direct Sales Agreement (new agreement entered into in 2017) and Prospective Direct Sales Arrangements with members of CSG Group (see Section 2 of this announcement)	N/A	N/A	13.30	82.55
<i>Aggregate project cap (historical aggregate for reference only)</i>	1,362.52	839.12	73.49	411.91
5. The Xicun solar project (Phases I and II)				
5.1 Xicun Solar Project PPA	109.52	136.81	72.66	61.24
5.2 Xicun Solar Project Electricity Supply Contract (10kV)	0.06	0.02	0.01	0.10
5.3 Xicun Solar Project High Voltage Electricity Supply Contract	0.32	0.56	0.36	0.55
5.4 Xicun Solar Project High Voltage Electricity Supply Contract (for pump station)	0.01	0.07	0.02	0.10
5.5 Prospective Direct Sales Arrangements with members of CSG Group (see Section 2 of this announcement)	N/A	N/A	N/A	7.31
<i>Aggregate project cap (historical aggregate for reference only)</i>	109.91	137.46	73.05	69.30
6. The Xundian wind project				
6.1 Xundian Wind Project PPA	-	79.06	28.44	18.60
6.2 Xundian Wind Project Electricity Supply Contract	-	0.11	0.07	0.23
6.3 Xundian Wind Project High Voltage Electricity Supply Contract (10kV) (new agreement entered into in September 2017 to replace the original agreement entered into in October 2015 as referred in Note (m) under Table A)	-	-	-	0.06
6.4 Prospective Direct Sales Arrangements with members of CSG Group (see Section 2 of this announcement)	N/A	N/A	N/A	4.70
<i>Aggregate project cap (historical aggregate for reference only)</i>	-	79.17	28.51	23.59

	Historical Transaction Values (excluding VAT) (HK\$ million)			Proposed Annual Caps (HK\$ million)
	For the year ended 31 December 2015	For the year ended 31 December 2016	For the eleven months ended 30 November 2017	For the year ending 31 December 2018
7. The Sandu wind project				
7.1 Sandu I Wind Project Electricity Supply Contract (220kV)	0.03	0.27	0.18	0.41
7.2 Sandu I Wind Project Interim PPA (agreement entered into in 2016)	N/A	112.82	130.31	145.61
<i>Aggregate project cap (historical aggregate for reference only)</i>	0.03	113.09	130.49	146.02
8. Prospective Projects				
8.1 Provision for new projects	N/A	N/A	N/A	94.00
Annual Aggregate Cap (rounded up to next million)				1,461

Notes:

- (n) No sales or purchases have been made under this agreement since the date of entering into the original agreement in 2015 as there has been no emergency incident which required the supply of electricity by either CLP Group party or CSG Group party under the terms of the agreement (see also Section 3 of this announcement).
- (o) The Company is not required to include the agreement into this table as it was entered into before CSG Group became a connected person of the Company (see also Note (e) of Table A). However, cap for this agreement has been set for the purpose of calculating the 2018 Annual Aggregate Cap for completeness.
- (p) 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 2015 and 2016 respectively, and for the eleven months ended 30 November 2017.

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 2018 in respect of this category is HK\$425 million which comprises the Power Sales Contract (cap of HK\$225 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 electricity sales for 2018 estimated by the parties to the Power Sales Contract and the anticipation that a further supplemental agreement for additional power sales may be entered into in 2018. This is relatively higher than the expected amount for 2017.

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 was 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

Traditionally, the Group's power projects sold electricity to the CSG Group's grid companies at published on-grid tariffs under the PPAs. Under the recent power sector reforms in Mainland China, an increasing portion of electricity sales by CLP Group's power projects since 2016 have been made through market sales. These occur in two broad forms, either (i) arm's length negotiations with purchasers for direct sales to them which may be consummated by entering into a DSA or by performance or (ii) a competitive bidding process where a portion of the electricity sales is available for bidding. In 2017, none of the market sales constituted continuing connected transactions for the Company except for one case concerning Fangchenggang coal-fired project where a DSA was entered into with a CSG Group entity as the purchaser (i.e. item 4.4 in Table A above – Fangchenggang Direct Sales Agreement).

The historical transaction values of the PPAs represent revenue generated by the relevant project companies through electricity sales to CSG Group's grid companies. Revenue generated through market sales is not included, save for the Fangchenggang Direct Sales Agreement where a CSG Group entity is a purchaser. For the Fangchenggang coal-fired, Yang_er hydro, Xicun solar and Xundian wind projects, the regions where these projects are situated have undergone a more extensive roll out of the power sector reforms and an ever increasing volume of electricity is being supplied directly to end users rather than being sold through the CSG Group's grid companies; this explains the relatively low transaction values for 2017 regarding PPA sales and the decrease in the individual 2018 annual caps for these projects as compared to previous years. As the reform is being implemented nationwide at different paces, the extent of the impact on the CLP Group's power project Transactions in terms of historical values in 2017 and the proposed annual caps for 2018 varied.

Huaiji hydro and Sandu wind projects

The aggregate project caps in respect of the Huaiji Hydro Project Transactions and Sandu Wind Project Transactions for 2018 are HK\$287.63 million and HK\$146.02 million, respectively, which are largely consistent with the transaction values for these projects for 2017. These were determined by reference to the past years' performance, and the long-term historical average of the hydro and wind resources in the respective regions where these projects are located.

Fangchenggang coal-fired project

The aggregate project cap in respect of the Fangchenggang Coal-fired Project Transactions for 2018 is HK\$411.91 million (2017 cap: HK\$2,392.93 million). For 2017, the electricity sales for CLP-FCG were carried out extensively through the DSAs and competitive bidding, hence, the significantly lower historical transaction value for 2017 was resulted. However, one of the DSAs entered into by CLP-FCG constituted a continuing connected transaction agreement because a CSG Group entity was the purchaser under the DSA. The lower 2018 project cap was determined based on the anticipation that CLP-FCG's electricity sales will continue to be conducted predominantly through market sales. However, the 2018 project cap has taken into account the potential bonus electricity sales through the PPA at tariff generally more favourable than the tariffs under market sales. This may be awarded by the Guangxi local government if CLP-FCG achieves a certain level of environmental and energy saving performance. Furthermore, the project cap has also taken into account the possibility of entering into additional DSAs with a CSG Group entity as the purchaser.

Yang_er hydro project

The aggregate project cap in respect of the Yang_er Hydro Project Transactions for 2018 is HK\$2.61 million (2017 cap: HK\$37.81 million). The historical transaction value up to November 2017 was HK\$2.81 million which comprises mainly revenue from PPA sales in the first month of the year. From February 2017 onwards, all electricity sales for CLP Dali Yang_er were conducted through market sales. It is anticipated that the electricity sales by CLP Dali Yang_er will continue to be conducted entirely through market sales instead of the PPA in 2018. However, the proposed cap has taken into account that participating purchasers under the direct sales arrangement may possibly include a CSG Group entity.

Xicun solar and Xundian wind projects

The aggregate project caps in respect of the Xicun Solar Project Transactions and the Xundian Wind Project Transactions for 2018 are HK\$69.30 million (2017 cap: HK\$153.19 million) and HK\$23.59 million (2017 cap: HK\$85.45 million), respectively. During 2017, part of the electricity sales for each of Xicun solar and Xundian wind projects were made through market sales transactions, hence, lower historical transaction values for 2017 were resulted. The lower caps of Xicun solar and Xundian wind projects in 2018 reflect the expectation that a significant portion of electricity sales for these projects will continue to be carried out through market sales in 2018, offset mildly by the anticipation that participating purchasers under the direct sales arrangements may possibly include a CSG Group entity.

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 Mainland China during 2018 and, if so, the associated PPA and other related agreements with a CSG Group entity 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.

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 of the CLP Group.

The PPAs, usually associated with GCCs, and other ancillary agreements are entered into individually by each power project company and are one of the means by which the relevant power project company can connect and supply to the local grid and obtain a source of revenue. Other means are through market sales that have become an increasing prominent source of revenue under the Mainland China's power sector reforms. Market sales can be conducted through direct sales arrangements or by a competitive bidding process where a portion of electricity sales is available for bidding by different generation companies.

The Directors (including the Independent Non-executive Directors) consider that all of the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms or better for CLP and are 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 the 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\$1,461 million is used for monitoring the annual cap for Listing Rules purposes and this has exceeded the 1% threshold (revenue ratio) under the Listing Rules. This was triggered with the renewals of those continuing connected transactions announced in the 2017 Announcement which have fallen to be renewed on 1 January 2018, i.e. the PPAs for Fangchenggang coal-fired, Xicun solar and Xundian wind projects. As the Transactions are continuing connected transactions with a connected person at the subsidiary level, they are only subject to the announcement requirements set out in Rules 14A.35 and 14A.68 and the annual review requirements set out in Rules 14A.55 to 14A.59 but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Particulars of the Transactions will also be included in the annual report of the Company (Rules 14A.49 and 14A.71).

PPA and power sector requirements

For the Huaiji hydro, Fangchenggang coal-fired, Xicun solar and Xundian wind projects, the form of PPA used and signed for the current term 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. The other form of PPA is 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.

As disclosed in our previous announcements concerning continuing connected transactions with the CSG Group, the Company had obtained from the Stock Exchange a waiver from strict compliance with the requirement to have written agreements under Rule 14A.34 of the Listing Rules in respect of those PPAs renewed by continued performance by both parties of their respective obligations under the PPA on substantially the same terms.

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 2.54 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:

“2017 Announcement”	the Company’s announcement dated 3 January 2017
“Annual Aggregate Cap”	the total of all the annual caps for all the “Transactions” and the provisions for “Prospective Projects” and prospective direct sales arrangements with CSG Group for 2018 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 with limited liability 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
“DSA”	the electricity direct sales agreement for the sale and supply of electricity which is typically entered into amongst a power generation seller, a power purchaser and at times, a transmission service provider, and is regarded as a market sales transaction
“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 (1.2) 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 (4.1) to (4.4) 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 (2.1) to (2.7) 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 Power Grid Materials Company Limited (as payment agent of CSG-GPG), details of which are set out in the transaction under item (1.1) 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 2018 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 (7.1) and (7.2) 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 (5.1) to (5.4) 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 (6.1) to (6.3) 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 (3.1) to (3.4) inclusive in Table A of this announcement
“%”	per cent

By Order of the Board
David Simmonds
Company Secretary

Hong Kong, 2 January 2018

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