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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Power Clean Energy Development Company Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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China Power Clean Energy Development Company Limited

中國電力清潔能源發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0735)

**CONNECTED TRANSACTION
AND DISCLOSEABLE TRANSACTION IN RELATION
TO THE EPC PROJECT AGREEMENT**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



信溢投資策劃有限公司

CHALLENGE CAPITAL MANAGEMENT LIMITED

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from Challenge Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 25 of this circular.

A notice convening the EGM to be held on 29 March 2018 (Thursday) at 11:00 am at Rooms 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong is set out on pages 30 to 31 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

13 March 2018

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DEFINITIONS

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

“13th Five-Year Plan”	the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China for the period between 2016 and 2020
“Agreement”	the agreement in relation to the engineering, procurement and construction work for the Project entered into between the Contract Letting Party and Contractor dated 6 February 2018
“associate”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“Company”	China Power Clean Energy Development Company Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Contract Letting Party”	Shangqiu China Power Green Power Generation Company Limited* (商丘中電環保發電有限公司), a company incorporated in the PRC and an indirect subsidiary of the Company
“Contractor”	SPI Power Engineering Company Limited* (中電投電力工程有限公司), a company incorporated in the PRC and a subsidiary of SPIC and SNPTC
“Director(s)”	directors(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Agreement and the transaction contemplated therein
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of independent non-executive Directors, consisting Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum, which has been formed to advise the Independent Shareholders in relation to the transaction contemplated under the Agreement

DEFINITIONS

“Independent Financial Adviser” or Challenge Capital	Challenge Capital Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Agreement
“Independent Shareholders”	the shareholders of the Company other than SPIC and its associates
“Latest Practicable Date”	9 March 2018, being the latest practicable date prior to publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, a unit of energy. 1 MW = 1,000 kilowatt
“MWh”	a unit of energy. One megawatt-hour (MWh) is equivalent to one megawatt of energy that would be produced by a power generator for one hour of time
“Parties”	the Contract Letting Party and the Contractor
“PRC” or “China”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“Project”	construction of a domestic garbage incineration power plant in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company
“SNPTC”	State Nuclear Power Technology Corporation* (國家核電技術公司). The Contractor is its wholly-owned subsidiary
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), a substantial shareholder of the Company and the parent company of the Contractor and SNPTC

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	Has the meaning given to it by the Listing Rules

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

LETTER FROM THE BOARD



China Power Clean Energy Development Company Limited
中國電力清潔能源發展有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 0735)

Executive Directors:

Mr. WANG Fengxue
Mr. ZHAO Xinyan
Mr. HE Hongxin (*Chief Executive Officer*)
Mr. QI Tengyun

Registered Office:

Rooms 3801-05, 38/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

Non-Executive Directors:

Mr. WANG Binghua (*Chairman of the Board*)
Mr. BI Yaxiong (*Vice Chairman of the Board*)
Mr. ZHOU Jiong

Independent Non-Executive Directors:

Mr. CHU Kar Wing
Mr. LI Fang
Mr. WONG Kwok Tai
Ms. NG Yi Kum

13 March 2018

To the shareholders of the Company

Dear Sir or Madam,

**CONNECTED TRANSACTION
AND DISCLOSEABLE TRANSACTION IN RELATION
TO THE EPC PROJECT AGREEMENT**

1. INTRODUCTION

The Board announced that on 6 February 2018, the Contract Letting Party and Contractor entered into the Agreement pursuant to which the Contract Letting Party engaged the Contractor to carry out the engineering, procurement and construction work of the Project, which involves the construction of a domestic garbage incineration power plant in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, PRC.

Details of the Agreement are set out below in the section headed “The Agreement”.

LETTER FROM THE BOARD

The Contract Letting Party is an indirect subsidiary of the Company. The Contractor is a subsidiary of SPIC, a substantial shareholder of the Company holding indirectly approximately 28.07% of the issued share capital of the Company as at the Latest Practicable Date. The Contractor is therefore an associate of a substantial shareholder of the Company and a connected person of the Company for the purpose of the Listing Rules. As such, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Agreement exceeds 5%, the Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. The Agreement will also constitute a discloseable transaction which is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules. If the ordinary resolution approving the Agreement and the transaction contemplated thereunder is not passed by the Independent Shareholders at the EGM, the Agreement will not become effective and the Parties will not continue to proceed with the transaction. The Parties may enter into a new agreement or supplemental agreement as and when appropriate, the terms of which will be subject to further negotiation. Upon entry into such new agreement or supplemental agreement (if any), the Company will comply with any applicable reporting, announcement and Independent Shareholders' approval requirements.

The Company has established the Independent Board Committee to advise the Independent Shareholders on the terms of the Agreement and the transaction contemplated thereunder. Challenge Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The main purposes of this circular are to provide you with (a) details of the transaction contemplated under the Agreement, (b) a letter from the Independent Board Committee, (c) a letter from Challenge Capital and (d) a notice convening the EGM to consider and, if thought fit, approve, among other things, the Agreement and the transaction contemplated thereunder.

Apart from China Power International Holding Limited and China Power New Energy Limited, no other shareholder of the Company will be required to abstain from voting on the ordinary resolution for approving the Agreement and the transaction contemplated thereunder at the EGM. As at the Latest Practicable Date, China Power International Holding Limited directly held 19,572,000 Shares representing approximately 1.65% of total issued share capital of the Company and China Power New Energy Limited directly held 313,502,923 Shares representing approximately 26.42% of total issued share capital of the Company. China Power New Energy Limited is a wholly-owned subsidiary of China Power International Holding Limited, thus, pursuant to Part XV of the SFO, China Power International Holding Limited, is deemed to have 28.07% interest of the Company.

2. THE AGREEMENT

The Board announces that on 6 February 2018, the Contract Letting Party and Contractor entered into the Agreement pursuant to which the Contract Letting Party engaged the Contractor to carry out the engineering, procurement and construction work of the Project, which involves the construction of a domestic garbage incineration power plant in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, PRC. The principal terms of the Agreement are set out below.

LETTER FROM THE BOARD

Date

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

Parties

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

Principal terms

(i) *Scope of Work*

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

(ii) *Time for delivery*

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

(iii) *Consideration*

- (1) The Contract Letting Party shall pay the Contractor a total consideration of RMB385,000,000, which consists of RMB239,215,765 for construction and installation work; RMB130,344,235 for the purchase of equipment; RMB5,200,000 for design and RMB10,240,000 for the management of the construction process and other fees.
- (2) The consideration represents the bidding price offered by the Contractor, being the successful bidder of the tender. The Project was awarded to the Contractor by way of tender which was conducted in compliance with the Group's tender guideline prepared in accordance with The Tendering and Bidding Law of the PRC (中華人民共和國招標投標法). The Group had received submissions from six bidders including five independent bidders and the Contractor. The Group has considered the quotations, specialized technological know-hows, equipment, facilities, personnel and practical experience of all six bidders for determination of the successful bidder, among which quotation and technical design and specifications were the two major factors considered by the Group in the scoring mechanism. After conducting an overall evaluation of the tender proposals, the Project was awarded to the Contractor on the basis that it obtained the highest total score. The breakdown of consideration of the Contractor does not

LETTER FROM THE BOARD

substantially deviate from the tender proposals submitted by the other five independent bidders. Therefore, the Directors (including the independent non-executive Directors) are of the view that the total consideration and the breakdown of consideration are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

(iv) Payment terms

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

LETTER FROM THE BOARD

- (3) Design fees
- (i) Preliminary design fee: The Contract Letting Party shall pay 20% of such fee to the Contractor within 10 days after entering into the Agreement. Within 30 days of the approval of the preliminary design, the Contract Letting Party shall pay the rest of the preliminary design fee.
 - (ii) Construction and survey design fee for the main construction: The Contract Letting Party shall pay 10% of such fee to the Contractor after the master design has been approved by the Contract Letting Party. Such fee shall then be payable in accordance with the progress of the design, and 50% would be payable after the civil construction design of the main factory building has been completed. 85% of such fee would be payable after all the designs have been completed. 97% of such fee would be payable after the second power generating unit has passed the 72 hours trial run. 3% of the construction and survey design fee would be quality assurance deposit and would be payable one year after the commencement of the operation of the power plant if there is no problem with the quality of the design and all the designs have been handed over. The whole amount of such fee would be payable within 30 days after all the designs have been handed over and checked.
 - (iii) The rest of the design fee would be paid in accordance with the progress. 50% of such fee would be payable after half of such designs have been completed, and 100% would be payable after all such designs have been completed.
- (4) Management fee and risk allowance: The Contract Letting Party shall pay such fee to the Contractor on a pro rata basis every month during the period from the commencement of construction work until the delivery of the second power generating unit.
- (5) Other fees: Other fees include the project insurance premium, fees relating to the setting of base amount and assessment of sub-contracting tender, sub-contracting tender agency fee, service fee due to acceptance of a bid, fees relating to the supervision of equipment and materials production, fees relating to the delivery and shipment of equipment, equipment and materials retainer fee, project settlement and audit fee, research and testing fee, technical service fee for complete sets of equipment, design document review fee, technical supervision fee for project construction, safety inspection and testing fee for special equipment, fees relating to testing, inspection, collection of evidence and others, pile foundation examination fee, assessment and inspection fee for the performance of machine sets, shipment adaptation fee for large equipment and other fees. In respect of such fees, the Contractor would propose the payment plan for next month and this amount shall be included in the progress payment application for this month, and the amount shall be paid in accordance with the contract entered into between the Contractor and the sub-contractor after this has been approved by the Contract Letting Party. Such amount will be payable by the Contract Letting Party upon receipt of the relevant payment receipt from the Contractor. The Contractor shall ensure

LETTER FROM THE BOARD

that the sub-contractors comply with the provisions of the Agreement and the sub-contracts. The Contractors shall be responsible for the acts of the sub-contractors and their agencies or employees, and shall be liable for the breach of any obligation by such persons under the Agreement and the sub-contracts.

- (6) Within 28 days of the Contract Letting Party accepting the completion settlement statement and the Contractor completing the audit relating to the completion of the Project, the Contractor shall submit the final payment invoice to the Contract Letting Party. The Contract Letting Party shall issue the final payment certificate within 7 days of it reviewing and determining that the final payment invoice is in order.
- (7) The quality assurance deposit is 10% of the price in respect of equipment and 3% of the total amount of settlement upon completion of the Agreement in respect of other fees. The Contract Letting Party shall refund the quality assurance deposit to the Contractor within 30 days after the first anniversary of the second power generating unit commencing operation.

3. REASONS FOR AND BENEFITS OF THE AGREEMENT

For the clean energy industry, the 13th Five-Year Plan is an important window period for strategic developments. The PRC government encourages enterprises to steadily promote construction of household waste incineration power generation projects and develop waste incineration power co-generation of heat in cities that had appropriate conditions on the premise of conducting risk assessments of environmental protection, site selection and social stability, during the period of 13th Five-Year Plan, as well as expediting the application of modern waste incineration power and pollution prevention technology and enhancing environmental standards in waste incineration power generation. The PRC government will continue to increase the capacity of innocuous treatment of domestic waste in order to achieve waste reduction and generate renewable energy in a harmless manner under the “Plan for the Construction of Urban Household Waste Harmless Treatment Facilities in the 13th Five-Year Plan Period” (“十三五”全國城鎮生活垃圾無害化處理設施建設規劃) published by the National Development and Reform Commission and the Ministry of Housing and Urban Development of the PRC. As an environmental protection enterprise, the Company is also committed to promoting the development of renewable energy.

As at 30 June 2017, the Group’s controlled installed capacity of waste-to-energy power in operation was 78.0MW with half-year power generation of 229,339.80MWh. Waste-to-energy power is one of the strategic focuses of the Group that accounted for 4.9% of the Group’s total power generation. The Group intends to expand market share of waste-to-energy sector, integrate with new progress of urbanization, develop new market in middle-sized cities, actively promote multi-counties co-construction projects and increase its effort in developing waste-to-energy power.

A number of waste-to-energy projects are either under construction or expected to commence operation in 2018 and in 2019 to offset the impact of under-utilisation of power, reflecting the Group’s resistance to risks as a result of diversified and balanced development, as well as demonstrating the Group’s strategic advantage of segment rotation. The capacity of the segment under construction as at 30 June 2017 was 168.0MW.

LETTER FROM THE BOARD

In line with the strategy of the Group to further expand the installed capacity of waste-to-energy power, the Group was awarded concession right to develop a domestic garbage incineration power plant in Shangqiu City, Henan province of the PRC by the People's Government of Shangqiu Municipality (商丘市人民政府). The Project will initially comprise two mechanical grate incinerators with total daily waste treatment amounted to 1,200 tons, and two steam turbine power generating units with installed capacity of 24.0MW. The Project will be constructed under the principle of coordination and sharing of resources across different regions. While effectively solving the problems of urban waste treatment in Shangqiu through detoxification, reduction and recycling in waste treatment, this Project will also significantly lower the levels of pollutant emissions and effectively protect the environment, which are in line with the strategic goals of the Company's commitment in the development of renewable energy.

As a developer and operator of clean energy power plants in China, the Group, similar to other developers of power plants, will engage external contractors to provide engineering, procurement and construction services to construct its power generation projects. As a result, the Agreement entered into with the Contractor is important to the construction of the Project. The Project was awarded to the Contractor by way of tender under which bidders were assessed with reference to their quotations, specialized technological know-hows, equipment, facilities, personnel and practical experience. After conducting an overall evaluation of the tender proposals, the Project was awarded to the Contractor on the basis that it obtained the highest total score, and the terms of the Agreement were determined after arm's length negotiations between the respective Parties thereto. Particulars of the qualifications of the Contractor are set out in "6. *Information of the Group, the Company, the Contract Letting Party and the Contractor – Information on the Contractor*" below. The Directors are of the view that the terms of the Agreement are no less favourable to the Company than the terms available from independent third parties.

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

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

4. IMPLICATIONS UNDER THE LISTING RULES

The Contract Letting Party is an indirect subsidiary of the Company. The Contractor is a subsidiary of SPIC, a substantial shareholder of the Company holding indirectly approximately 28.07% of the issued share capital of the Company as at the Latest Practicable Date. The Contractor is therefore an associate of a substantial shareholder of the Company and a connected person of the Company for the purpose of the Listing Rules. As such, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Agreement will also constitute a discloseable transaction which is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

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

If the ordinary resolution approving the Agreement and the transaction contemplated thereunder is not passed by the Independent Shareholders at the EGM, the Agreement will not become effective and the Parties will not continue to proceed with the transaction. The Parties may enter into a new agreement or supplemental agreement as and when appropriate, the terms of which will be subject to further negotiation. Upon entry into such new agreement or supplemental agreement (if any), the Company will comply with any applicable reporting, announcement and Independent Shareholders' approval requirements.

5. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the Listing Rules, an Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the Agreement) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Agreement and the transaction contemplated thereunder and to advise the Independent Shareholders on how to vote.

Challenge Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

6. INFORMATION ON THE GROUP, THE COMPANY, THE CONTRACT LETTING PARTY AND THE CONTRACTOR

Information on the Group, the Company and the Contract Letting Party

The principal activities of the Group at present are the development, construction, owning, operation and management of clean energy power plants in China, including but not limited to natural gas power generation, waste-to-energy power generation, wind power generation, photovoltaic power generation, hydropower generation, and other clean energy power generation projects.

The Company, whose shares are listed on the Stock Exchange, has its head office in Hong Kong. The principal business activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the development, construction, ownership, operation and management of clean energy power plants in the PRC, and also engaged in investment holding in the clean energy industry and property investments. The Contract Letting Party is an indirect subsidiary of the Company in which the Company and Shangqiu City Municipal Construction Investment Company (商丘市市政建設投資有限公司) is interested in as to 85% and 15% of its registered capital, respectively. The Contract Letting Party is principally engaged in power generation and sale of electricity.

As at the Latest Practicable Date, SPIC indirectly owns approximately 28.07% of the issued share capital of the Company.

LETTER FROM THE BOARD

Information on the Contractor

The Contractor is a subsidiary of SPIC established in 2006 which is principally engaged in engineering and construction project management, exploration design, project supervision and consultation and international projects contracting. It is qualified as the First Class power engineering contractor, First Class overseas projects contracting operator, Grade A supervisor, Grade A commissioner, Grade B designer, project consultant and bidding agent etc. in China. The Contractor is ranked as the national “high-tech enterprise” and “AAA” credit enterprise of the electricity industry, and many of the projects undertaken by it have won the China Construction Engineering Luban Prize (中國建築工程魯班獎) and the Premium Quality Power Construction Prize in China (中國電力優質工程獎).

7. EGM

An EGM will be held on 29 March 2018 (Thursday) at 11:00 a.m. at Rooms 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during which an ordinary resolution will be proposed to the shareholders of the Company to approve the Agreement and the transaction contemplated therein. China Power International Holding Limited and China Power New Energy Limited will abstain from voting at the EGM. Any vote of the Independent Shareholders at the EGM will be taken by poll. As at the Latest Practicable Date, China Power International Holding Limited directly held 19,572,000 Shares representing approximately 1.65% of total issued share capital of the Company and China Power New Energy Limited directly held 313,502,923 Shares representing approximately 26.42% of total issued share capital of the Company. China Power New Energy Limited is a wholly-owned subsidiary of China Power International Holding Limited. Thus, pursuant to Part XV of the SFO, China Power International Holding Limited is deemed to have 28.07% interest of the Company.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours, before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

8. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transaction contemplated thereunder.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 14 to 15 of this circular and the letter from Challenge Capital to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 25 of this circular, and the information set out in the appendix of this circular.

Yours faithfully,

On behalf of the Board

China Power Clean Energy Development Company Limited

WANG Binghua

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



China Power Clean Energy Development Company Limited
中國電力清潔能源發展有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 0735)

Independent Board Committee

Mr. Chu Kar Wing
Dr. Li Fang
Mr. Wong Kwok Tai
Ms. Ng Yi Kum

13 March 2018

To the Independent Shareholders,

Dear Sir and Madam,

**CONNECTED TRANSACTION
AND DISCLOSEABLE TRANSACTION IN RELATION
TO THE EPC PROJECT AGREEMENT**

We refer to the circular dated 13 March 2018 issued by the Company to its shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

The Board announce that on 6 February 2018, the Contract Letting Party and Contractor entered into the Agreement pursuant to which the Contract Letting Party engaged the Contractor to carry out the engineering, procurement and construction work of the Project, which involves the construction of a domestic garbage incineration power plant in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, PRC.

The Contract Letting Party is an indirect subsidiary of the Company. The Contractor is a subsidiary of SPIC, a substantial shareholder of the Company holding indirectly approximately 28.07% of the issued share capital of the Company as at the Latest Practicable Date. The Contractor is therefore an associate of a substantial shareholder of the Company and a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Agreement constitutes connected transaction of the Company under the Listing Rules.

We have been appointed by the Board as the Independent Board Committee to advise you on the fairness and reasonableness of the terms of the Agreement and the transaction contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Challenge Capital has been appointed by the Company as the Independent Financial Adviser to advise you and us in this regard.

The terms and reasons for the Agreement are summarised in the letter from the Board as set out on pages 4 to 13 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Agreement and the basis upon which its terms have been determined. We have also considered the key factors taken into account by Challenge Capital in arriving at its opinion regarding the terms of the Agreement and the transaction contemplated thereunder as set out in the letter from Challenge Capital on pages 16 to 25 of the Circular, which we urge you to read carefully.

Having taken into account, among other things, the advice of Challenge Capital, we consider that the entering into of the Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group. The terms of the Agreement and the transaction contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM at the end of the Circular.

Yours faithfully,

For and on behalf of the

Independent Board Committee

China Power Clean Energy Development Company Limited

CHU Kar Wing, LI Fang

WONG Kwok Tai, NG Yi Kum

LETTER FROM CHALLENGE CAPITAL

The following is the full text of a letter of advice from Challenge Capital Management Limited to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Agreement, which has been prepared for the purpose of inclusion in this circular.



信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED

3/F, Kailey Tower,
16 Stanley Street,
Central, Hong Kong

13 March 2018

*To: The Independent Board Committee and the Independent Shareholders of
China Power Clean Energy Development Company Limited*

Dear Sirs,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE EPC PROJECT AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Agreement (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 13 March 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

On 6 February 2018, the Contract Letting Party and the Contractor entered into the Agreement, pursuant to which the Contract Letting Party engaged the Contractor to carry out engineering, procurement and construction work of the Project, which involves the construction of a domestic garbage incineration power plant in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan Province, the PRC. The total consideration under the Agreement is RMB385,000,000.

The Contract Letting Party is an indirect subsidiary of the Company. The Contractor is a subsidiary of SPIC, a substantial shareholder of the Company holding indirectly approximately 28.07% of the issued share capital of the Company as at the Latest Practicable Date. The Contractor is therefore an associate of a substantial shareholder of the Company and a connected person of the Company for the purpose of the Listing Rules. As such, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Agreement will also constitute a discloseable transaction which is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

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

LETTER FROM CHALLENGE CAPITAL

The Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the Agreement) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Agreement and the transaction contemplated thereunder and to advise the Independent Shareholders on how to vote. We, Challenge Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Save for our previous engagement as the independent financial adviser to the then independent board committee and independent shareholders of the Company in respect of a discloseable transaction and continuing connected transactions in relation to the financial services framework agreement as detailed in the circular of the Company dated 15 November 2017, we have not acted, within the last two years, as an independent financial adviser or a financial adviser to the Company, SPIC, Contract Letting Party, Contractor or any of their respective associates. We are independent from and not connected with the Company, SPIC, Contract Letting Party, Contractor or any of their respective associates. Accordingly, we are considered eligible to give independent advice on the Transaction under the Agreement. Apart from normal advisory fees payable to us for our services rendered to the Company in connection with the previous engagement and this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company, SPIC, Contract Letting Party, Contractor or any of their respective associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided to us by the Company, and the opinions expressed by its management. We have assumed that all information, facts and representations contained or referred to in the Circular, and the information, facts and representations provided by the Company, and the opinions expressed by its management, are true, accurate and complete in all material respects as at the date of the Circular and that they may be relied upon in formulating our opinion.

We have also assumed that all views, opinions and statements of intention provided by the Directors, advisors and representatives of the Company have been arrived at after due and careful enquiries. The Directors have confirmed to us that no material facts have been withheld or omitted from the information supplied and opinions expressed. We consider that we have been provided with, and have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Company and its management, nor have we conducted independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

LETTER FROM CHALLENGE CAPITAL

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transaction, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Transaction, we have considered the following principal factors and reasons:

1. Information of the Group, the Contract Letting Party and the Contractor

(i) *Background of the Group*

The principal activities of the Group at present are the development, construction, ownership, operation and management of clean energy power plants in the PRC, including but not limited to natural gas power generation, waste-to-energy power generation, wind power generation, photovoltaic power generation, hydropower generation, and other clean energy power generation projects. According to the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”), as of 30 June 2017, the number of power generation plants owned or controlled by the Group had reached 38 and the controlled installed capacity of the power projects of the Group was 3,815.43MW).

(ii) *Background of the Contract Letting Party*

The Contract Letting Party is an indirect subsidiary of the Company in which the Company and Shangqiu City Municipal Construction Investment Company (商丘市市政建設投資有限公司) is interested in as to 85% and 15% of its registered capital, respectively. The Contract Letting Party is principally engaged in power generation and sale of electricity.

(iii) *Background of the Contractor*

The Contractor is a subsidiary of SPIC which was established in 2006 and is principally engaged in engineering and construction project management, exploration design, project supervision and consultation and international projects contracting.

LETTER FROM CHALLENGE CAPITAL

2. Reasons for and benefits of the Transaction

According to the Letter from the Board, the 13th Five-Year Plan is an important window period for strategic developments for the clean energy industry. The PRC government encourages enterprises to steadily promote construction of household waste incineration power generation projects and develop waste incineration power co-generation of heat in cities that had appropriate conditions on the premise of conducting risk assessments of environmental protection, site selection and social stability, during the period of 13th Five-Year Plan, as well as expediting the application of modern waste incineration power and pollution prevention technology and enhancing environmental standards in waste incineration power generation. The PRC government will continue to increase the capacity of innocuous treatment of domestic waste in order to achieve waste reduction and generate renewable energy in a harmless manner under the “Plan for the Construction of Urban Household Waste Harmless Treatment Facilities in the 13th Five-Year Plan Period” (「十三五」全國城鎮生活垃圾無害化處理設施建設規劃) published by the National Development and Reform Commission and the Ministry of Housing and Urban Development of the PRC. As an environmental protection enterprise, the Company is committed to promoting the development of renewable energy.

According to the 2017 Interim Report, the development of environmental-friendly power generation projects remains the key task of the Group. While adopting a diversified and balanced strategy in developing the Group’s portfolio of clean energy power plants, waste-to-energy power generation is one of the strategic focus of the Group, which accounted for 4.9% of the Group’s total power generation as of 30 June 2017. As at 30 June 2017, the Group’s controlled installed capacity of waste-to-energy power in operation was 78.0MW with a half-year power generation of approximately 229,339.8MWh.

As stated in the Letter from the Board, the Group intends to expand its market share in the waste-to-energy sector, integrate with new progress of urbanisation, develop new market in middle-sized cities, actively promote multi-counties co-construction projects and increase its effort in developing waste-to-energy power. Accordingly, as of 30 June 2017, a number of waste-to-energy projects with an aggregate capacity of 168.0MW are either under construction or expected to commence operation in 2018 and in 2019. In line with the strategy of the Group to further expand the installed capacity of waste-to-energy power, the Group was awarded the concession right to develop a domestic garbage incineration power plant in Shangqiu City by the People’s Government of Shangqiu Municipality (商丘市人民政府). The Project, which is located in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, the PRC, will initially comprise two mechanical grate incinerators with a total daily waste treatment capacity amounting to 1,200 tons, and two steam turbine power generating units with installed capacity of 24.0MW. It is expected that the Project will effectively solve the problems of urban waste treatment in Shangqiu City through detoxification, reduction and recycling in waste treatment, and will significantly lower the levels of pollutant emissions and effectively protect the environment, which are in line with the strategic goals of the Company’s commitment in the development of renewable energy.

In order to select the contractor to provide engineering, procurement and construction (“EPC”) services for the Project, the Group had conducted an open tender (the “Tender”) under which bidders were assessed with reference to their quotations, specialised technological know-hows, equipment, facilities, personnel and practical experience. After conducting an overall evaluation of the tender proposals, the Project was awarded to the Contractor on the basis that it obtained the highest overall score.

LETTER FROM CHALLENGE CAPITAL

Moreover, according to the Letter from the Board, the Contractor is qualified as the First Class power engineering contractor, First Class overseas projects contracting operator, Grade A supervisor, Grade A commissioner, Grade B designer, project consultant and bidding agent in the PRC. It is ranked as the national “high-tech enterprise” and “AAA” credit enterprise of the electricity industry, and many of the projects undertaken by it have won the China Construction Engineering Luban Prize and the Premium Quality Power Construction Prize in the PRC. For our due diligence purpose, we have obtained and reviewed the relevant documents showing the qualifications and experience of the Contractor.

We were also given to understand from the Company that the Contractor was previously awarded with a project in relation to the agricultural biomass power generation in Anhui Province by way of tender from the Group, details of which are set out in the announcement of the Company dated 15 September 2017.

Having considered (i) the Project is in line with the development strategy of the Group and allows the Group to expand its waste-to-energy power generation capacity; (ii) the qualifications and experience of the Contractor; and (iii) the Contractor was rated the highest overall score and was selected as the successful bidder through a tender process, we are of the view that the entering of the Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Agreement

Date

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

Parties

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

Scope of Work

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

Time for delivery

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

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Consideration and payment terms

The Contract Letting Party shall pay the Contractor a total consideration of RMB385,000,000, which consists of RMB239,215,765 for construction and installation work; RMB130,344,235 for the purchase of equipment; RMB5,200,000 for design and RMB10,240,000 for the management of the construction process and other fees (the “**Total Consideration**”). The Total Consideration, represents the bidding price offered by the Contractor, being the successful bidder of the Tender. As stated in the Letter from the Board, the Project was awarded to the Contractor by way of tender which was conducted in compliance with the Group’s tender guideline prepared in accordance with the Tendering and Bidding Law of the PRC (中華人民共和國招標投標法). The Group had received submissions from six bidders including five independent bidders and the Contractor (the “**Tender Proposals**”). The Group has considered the quotations, specialised technological know-hows, equipment, facilities, personnel and practical experience of all six bidders for determination of the successful bidder, among which quotation and technical design and specifications were the two major factors considered by the Group in the scoring mechanism. After conducting an overall evaluation of the Tender Proposals, the Project was awarded to the Contractor on the basis that it obtained the highest total score. The Company intends to finance the Project using its internal resources.

According to the management of the Company, before commencing the tender process, the Group had commissioned an independent third party consultant (the “**Consultant**”) to prepare a feasibility report on the Project (the “**Feasibility Report**”), including the estimated cost of the Project (the “**Estimated Cost**”). According to the background information obtained, the Consultant is an electric power engineering company founded in 1953 and is principally engaged in survey, design, consultation, supervision and construction of power system. The Consultant possesses “Grade A” qualification certificates in engineering survey and design, investment cost consultation, environmental impact assessment, EPC project, engineering consultation, project supervision, surveying and mapping, and marine engineering in the PRC. We have reviewed the Feasibility Report and discussed with the Company on the bases for estimating the cost and understand that the Estimated Cost was determined based on the construction plan of the Project with the relevant costs obtained from public information on market prices published by the relevant authorities including the National Energy Administration (國家能源局), the Bureau of Housing and Urban-Rural Development of Shangqiu City (商丘市住房和城鄉建設局), and the Electric Power Planning and Engineering Institute (電力規劃設計總院), which is a state-owned professional organisation authorised by the National Energy Administration and responsible for managing the setting of standards of the electric power industry in the PRC. Based on the above, we noted that the Estimated Cost is approximately RMB410 million and that the Total Consideration is lower than the Estimated Cost. However, we understand from the management of the Company that the Feasibility Report was prepared solely for the Group’s internal reference to facilitate its preliminary understanding on the overall feasibility and estimation of the cost level of the Project before commencing the Tender. As confirmed by the Company, the Feasibility Report and the Estimated Cost were neither relied upon as a basis for determining the Total Consideration, nor for selecting the successful bidder of the Tender. The successful bidder was determined after considering and conducting an overall evaluation of the tender proposals submitted by the various bidders based on the Evaluation Criteria (as defined below) which do not take into account the Estimated Cost.

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According to the management of the Company, the Group maintains a tender guideline (the “**Tender Guideline**”) prepared in accordance with The Tendering and Bidding Law of the PRC (中華人民共和國招標投標法). Pursuant to the Group’s Tender Guideline, the Group shall receive tender proposals from no less than three bidders when conducting its tender process. Additionally, under the Tender Guideline, a tender evaluation committee shall be established to evaluate the tender proposals and determine the successful bidder of the tender process.

We understand that a tender evaluation committee of 19 members comprising senior management of the Group and experts of the construction and engineering industry (the “**Tender Evaluation Committee**”) was established to evaluate the Tender Proposals. We have obtained biographies of the members of the Tender Evaluation Committee and noted that 14 of the members are engineer or senior engineer professionals, while the other members are from technical, construction, economics and finance fields, with experience in the relevant industries ranging from 9 to 47 years. Based on the above, we consider that the members of the Tender Evaluation Committee possess the appropriate qualifications and experience to evaluate the Tender Proposals.

As discussed with the Company, in addition to the 13 Tender Evaluation Committee members who are personnel of the Group (and not employees of SPIC or its subsidiaries), the Group has appointed three members to the Tender Evaluation Committee selected from their list of external industry experts from organisations which are independent from the Group, its substantial shareholders and the bidders. We have reviewed the biographies of these experts and noted that they are personnel from an engineer association in Shenzhen and an engineering and environmental company in Shanghai specialising in waste-to-energy, soil remediation, biomass utilisation and city sanitation.

According to the management of the Company, the Group follows SPIC’s guideline applicable to all the members of the SPIC Group, including the Group, in appointing China Power Complete Equipment Company Limited (the “**CPCEC**”) as the designated tender agent and the tender evaluation committee will normally include representatives or experts of CPCEC. CPCEC is a wholly-owned subsidiary of SPIC which possessed Grade A Agency Institute of the Investment Project of the Central Government (中央投資項目招標代理甲級資格) issued by National Development and Reform Commission of the PRC and Grade A Construction Tendering Agency Qualification (工程招標代理甲級資格) issued by Ministry of Housing and Urban-Rural Development of the PRC with its principal activities in tender and procurement service, complete equipment service, equipment consulting and supervision business in the power industry in the PRC. As such, CPCEC proposed three Tender Evaluation Committee members to the Group including two employees of CPCEC and an industry expert from China Power International Holding Limited (the “**CPIH**”), which is a substantial shareholder of the Company and a wholly-owned subsidiary of SPIC. In deciding whether to appoint these three proposed candidates from CPCEC to the Tender Evaluation Committee (the “**CPCEC Nominated Members**”), the Group had considered their relevant qualifications and experience and noted that they are senior engineers who possessed the relevant experience to the Project. The Group has also considered that, while the CPCEC Nominated Members were employees of CPCEC and CPIH respectively, they did not have any equity interest or directorship in CPCEC or CPIH, respectively, and their respective subsidiaries. Furthermore, the Group has obtained confirmation from the CPCEC Nominated Members that they do not have any economic interest in CPCEC or CPIH and their respective subsidiaries (as applicable), SPIC and any

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of the bidders including the successful bidder and that there are no factors affecting their impartiality in performance of their duties as members of the Tender Evaluation Committee. Based on the above, the management of the Company is of the view that the CPCEC Nominated Members do not have conflicting interest in participating in the Tender Evaluation Committee. Furthermore, the Company confirmed that the scoring mechanism is applicable to all members of the Tender Evaluation Committee in the same manner. In addition, we noted that the Contractor would still be the highest score bidder even if the scores given by the CPCEC Nominated Members are disregarded in the calculation of the evaluation result. The Company further confirms that procedures in accordance with the abstaining policy which requires any member who falls under the scope of the policy to abstain from the evaluation of the Tender have been performed as mentioned below.

According to the Company, in the event that any member of the Tender Evaluation Committee (i) is a close relative of the key responsible persons of the bidder or the tenderer; (ii) is a personnel from the project management division or administrative supervision division; (iii) has any economic interest relationship with the bidder; or (iv) was involved in any illegal acts and received administrative or criminal punishment in relation to previous tenders, such member will abstain from evaluation of the Tender. In this respect, the Company confirms that relevant procedures were performed in order to determine whether any member of the Tender Evaluation Committee was required to abstain from the evaluation, including (i) obtaining and reviewing the list of close relatives of the members of the Tender Evaluation Committee and confirming that they are not the key responsible person of the bidder or the tenderer; (ii) obtaining and reviewing the list of relevant personnel assigned to the Project and confirming that they are not a member of the Tender Evaluation Committee; (iii) interviewing and confirming with the members of the Tender Evaluation Committee that they have no economic interest relationship with the bidders; and (iv) reviewing past tender related records and confirming that none of the members of the Tender Evaluation Committee was involved in any illegal acts and received administrative or criminal punishment in relation to previous tenders, and concluded that no member was required to abstain from evaluation of the Tender. Based on the above, we consider that the Company has performed relevant procedures in complying with the abstaining policy.

As confirmed by the Company, the Group had received Tender Proposals from six bidders including five independent bidders and the Contractor. In order to assess the fairness and reasonableness of the Total Consideration, we have obtained and reviewed the tender documents issued by the Group in relation to the Project (the “**Tender Documents**”) and the Tender Proposals. We noted from the Tender Proposals that the proposed scope of work, specifications, delivery schedule, and payment terms were consistent with those as required and set out in the Tender Documents. In addition, we noted that all the bidders satisfied the qualification and experience requirements as set out in the Tender Documents. Furthermore, the Tender Documents also set out a list of criteria based on which the Tender Proposals would be evaluated, including the technical design and specifications, construction plan, bidding price, qualification and experience of the bidders (the “**Evaluation Criteria**”). We have reviewed the evaluation results of the Tender and noted that the Tender Evaluation Committee had applied the same Evaluation Criteria and weighting mechanism to all the bidders and that the Contractor ranked the first among all the bidders according to the overall score of the tender evaluation.

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In addition, out of the Evaluation Criteria, we noted that bidding price and technical related factors carry the most weighting. We have obtained and reviewed two tender evaluation reports previously prepared by the Group in relation to its energy construction projects and noted that their evaluation criteria were in line with the Evaluation Criteria with bidding price and technical related factors constituting the majority of the total weighting. We have also reviewed six cases by listed companies on the Stock Exchange from January 2017 in respect of industrial construction projects which the contractors were selected through tender process in the PRC (the “**Reference Cases**”). While the construction projects in the Reference Cases are not directly comparable to the Project, we consider that the Reference Cases can provide a general reference for evaluation criteria in respect of tenders for construction projects in the PRC. We noted that most of the Reference cases adopted evaluation criteria similar to the Evaluation Criteria and, for two Reference Cases which have included general information on the weighting composition of the tender evaluation criteria, it was mentioned that bidding price and technical related factors or construction constituted the majority of the total weighting of the evaluation criteria. Having considered the above, we are of the view that the Evaluation Criteria and the respective weighting applied in the evaluation of the Tender are in line with those commonly adopted for construction projects in the PRC.

Given that (i) the Contractor was selected through a tender process as the successful bidder; and (ii) the Total Consideration represents the bidding price offered by the Contractor as set out in its tender proposal, we consider that the Total Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

According to the Letter from the Board, the consideration under the Agreement is payable in stages in accordance with the progress of completion of the relevant work involved. A quality assurance deposit of 10% of the price in respect of equipment and 3% of the total amount of settlement upon completion of the Agreement in respect of other fees will be withheld by the Contract Letting Party until the expiry of the quality assurance period, being the first anniversary of the second power generating unit commencing operation. We noted from the Reference Cases that the quality assurance deposit ranged from 3% to 10% of the total consideration or relevant fee, with quality assurance deposit of 5% of the total consideration and the assurance period of 1 year to 2 years being the most common. With respect to the Project, we noted that the sum of the quality assurance deposit amount in respect of equipment and other fees represented approximately 5.4% of the Total Consideration, which is within the range and comparable to the Reference Cases. As such, we are of the view that terms of the quality assurance deposit and the quality assurance period under the Agreement are in line with those commonly adopted for construction projects in the PRC. Please refer to the section headed “2. The Agreement” in the Letter from the Board for details of the payment terms.

In addition, we noted from the Tender Documents and further confirmed with the Company that, save for the Total Consideration which shall reflect the bidding price offered by the successful bidder of the Tender, the other major terms including the payment terms were already set out in the Tender Documents. Such terms were equally applied to all the bidders and are consistent in all material aspects with the terms under the Agreement.

LETTER FROM CHALLENGE CAPITAL

Having considered all of the above, we are of the view that the terms of the Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the opinion that the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Company, and the terms of the Transaction are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,
For and on behalf of
Challenge Capital Management Limited
Wilson Fok
Managing Director

Mr. Wilson Fok is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over 10 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as disclosed in the table below, none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Name	Capacity	Nature of interest	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
Mr. Zhao Xinyan	Director	Beneficial owner	8 June 2017 ⁽¹⁾	2,000,000 ⁽²⁾	0.17% ⁽³⁾	Long

Notes:

- (1) Share option schemes became effective on 17 July 2017, thus the relevant share options are only exercisable on or after that day
- (2) The equity derivatives here referred to share options
- (3) The percentage represents the number of underlying shares interested divided by the number of shares issued by the Company as at the Latest Practicable Date

3. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which was significant in relation to the business of the Group.

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO:

	Name of the Director	Position(s) within the Company	Other Interests
(i)	Mr. Wang Fengxue	Executive Director	Nuclear Power Director – State Power Investment Corporation (an indirect substantial shareholder of the Company)
(ii)	Mr. Zhao Xinyan	Executive Director	Director – China Power New Energy Limited (a substantial shareholder of the Company)
(iii)	Mr. He Hongxin	Executive Director	Manager of the asset and finance department – China Three Gorges Corporation (a substantial shareholder of the Company)
(iv)	Mr. Qi Tengyun	Executive Director	Deputy manager of administration office – China Three Gorges Corporation (a substantial shareholder of the Company)

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or is proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within a year without payment of any compensation (other than statutory compensation)).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their close associates had any competing interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. EXPERT QUALIFICATION AND CONSENT

The following are the qualifications of the expert who has given opinion, letter or advice contained in this circular:

Name	Qualifications
Challenge Capital	a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO

As at the Latest Practicable Date, Challenge Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Challenge Capital did not have any shareholding in any members of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

8. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or the expert named in paragraph 8 of this appendix had any direct or indirect interest in any assets which have been or were proposed to be, acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Rooms 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (b) Tricor Tengis Limited, the share registrar of the Company, is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Rooms 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 29 March 2018 (both dates inclusive):

- (a) the Agreement;
- (b) the letter of recommendation from the Independent Board Committee dated 13 March 2018, the text of which is set out on pages 14 to 15 of this circular;
- (c) the letter of advice issued by Challenge Capital to the Independent Board Committee and Independent Shareholders date 13 March 2018, the text of which is set out on pages 16 to 25 of this circular; and
- (d) the written consent given by Challenge Capital as referred to in the paragraph headed “Expert Qualification and Consent” of this appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



China Power Clean Energy Development Company Limited
中國電力清潔能源發展有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 0735)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of China Power Clean Energy Development Company Limited (the “**Company**”) will be held at Rooms 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 29 March 2018 (Thursday) at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the agreement in relation to the engineering, procurement and construction work for the construction of a domestic garbage incineration power plant in Yuandian Village, Guocun Town, Suiyang District, Shangqiu City, Henan province, PRC dated 6 February 2018 (the “**Agreement**”) entered into between SPI Power Engineering Company Limited* (中電投電力工程有限公司), and Shangqiu China Power Green Power Generation Company Limited* (商丘中電環保發電有限公司) (a copy of the Agreement has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification) and the provision of the services contemplated under the Agreement and all other matters of and incidental thereto or in connection therewith be and are hereby approved and confirmed; and
- (b) any person authorised by the Board be and is hereby authorized for and on behalf of the Company, amongst other matters, to sign, seal, stamp, execute, perfect, deliver, do or to authorize signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the Agreement and to make and agree such variations of a non-material nature in or to the terms of the Agreement as he/she may in his discretion consider to be desirable and in the interests of the Company.”

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

By order of the Board
China Power Clean Energy Development Company Limited
WANG Binghua
Chairman

Hong Kong, 13 March 2018

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company, but must attend the meeting in person to represent him. A member who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.
3. The resolution set out in this notice will be voted by way of a poll.

As at the date of this notice, the Board comprises four executive directors, namely Mr. Wang Fengxue, Mr. Zhao Xinyan, Mr. He Hongxin and Mr. Qi Tengyun; three non-executive directors, namely Mr. Wang Binghua, Mr. Bi Yaxiong and Mr. Zhou Jiong; and four independent non-executive directors, namely Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai, and Ms. Ng Yi Kum.