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CGN NEW ENERGY HOLDINGS CO., LTD.

中國廣核新能源控股有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 1811)

**(1) Major Transactions
and
Continuing Connected Transactions
Termination of the Original
Financial Services Framework Agreements and
Entering into of the New Financial Services
Framework Agreements;
and
(2) Variation of Terms
Variation Agreement in relation to the
Rudong Entrusted Construction Management Contract**

1. THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENTS

Reference is made to the announcement of the Company dated 18 January 2024, in relation to, among others, the entering into of the Original Financial Services Framework Agreements. On 25 April 2024, the Company and the Service Providers entered into the New Financial Services Framework Agreements, respectively, pursuant to which the Service Providers conditionally agree to provide deposit and other financial services to the Group.

The New Financial Services Framework Agreements shall be effective from the Effective Date and expire on 31 December 2026. Meanwhile, the Original Financial Services Framework Agreements shall be terminated from the Effective Date.

2. VARIATION AGREEMENT IN RELATION TO THE RUDONG ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACT

References are made to the announcement of the Company dated 25 November 2020 and the circular of the Company dated 8 December 2020, in relation to, among other things, the entering into of the Rudong Entrusted Construction Management Contract between CGN Nantong and China Nuclear Power Engineering as the Contractor on 25 November 2020, pursuant to which CGN Nantong has conditionally agreed to engage China Nuclear Power Engineering and China Nuclear Power Engineering has conditionally agreed to undertake the design, procurement and construction and construction management work of the Rudong Offshore 300MW Wind Farm Project. The initial total consideration under the Rudong Entrusted Construction Management Contract is approximately RMB2.1 billion (inclusive of tax).

In view of changes in the work scope and market price necessary to complete the Rudong Offshore 300MW Wind Farm Project that leads to an increase in costs, on 25 April 2024, CGN Nantong and China Nuclear Power Engineering mutually agreed to enter into the Variation Agreement, in order to, among others, revise the total consideration under the Rudong Entrusted Construction Management Contract to approximately RMB2.4 billion (inclusive of tax).

3. LISTING RULES IMPLICATIONS

As at the date of this announcement, CGN is the controlling shareholder indirectly holding approximately 72.33% of the issued share capital of the Company. CGNPC Huasheng and CGN Finance are subsidiaries of CGN, and are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Financial Services Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the nature of the services to be provided to the Group under the New Financial Services Framework Agreements is similar, the Annual Caps under the New Financial Services Framework Agreements shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratios in relation to the Annual Caps exceeds 25% but is less than 100%, the transactions contemplated under the New Financial Services Framework Agreements constitute major transactions and continuing connected transactions of the Company, which are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

China Nuclear Power Engineering is a subsidiary of CGN and is therefore a connected person of the Company under the Listing Rules. The entering into of the Variation Agreement constitutes a material variation to the terms of the very substantial acquisition and connected transaction previously approved by the Independent Shareholders of the Company at the special general meeting held on 23 December 2020. As such, the Company is required to re-comply with all applicable provisions under the Listing Rules, including the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, respectively. As the highest applicable percentage ratio in respect of the transaction contemplated under the Amended Rudong Entrusted Construction Management Contract exceeds 25% but is less than 100%, the Amended Rudong Entrusted Construction Management Contract constitutes a major transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

1. THE NEW FINANCIAL SERVICES FRAMEWORK AGREEMENTS

Introduction

Reference is made to the announcement of the Company dated 18 January 2024, in relation to, among others, the Original Financial Services Framework Agreements, entered into between the Company and the Service Providers, respectively, pursuant to which the Service Providers agreed to provide deposit and other financial services to the Group for a term commencing from 18 January 2024 and ending on 31 December 2024.

In order to revise the existing annual caps for the maximum daily outstanding balance of deposits to be placed by the Group with the Service Providers under the Original Financial Services Framework Agreements, together with the relevant interest to be received and service fees (if any) under the Original Financial Services Framework Agreements, the Company entered into the New Financial Services Framework Agreements with the Service Providers on 25 April 2024, respectively.

The New Financial Services Framework Agreements are drafted with reference to the relevant terms of the Original Financial Services Framework Agreements.

Subject to the fulfilment of the conditions set out in the paragraphs headed "Duration of the New Financial Services Framework Agreements", the New Financial Services Framework Agreements shall be effective from the Effective Date and expire on 31 December 2026. Meanwhile, the Original Financial Services Framework Agreements shall be terminated from the Effective Date, and all matters in relation to the provision of deposit and other financial services to the Group by the Service Providers shall be executed in accordance with the terms and conditions stipulated in the New Financial Services Framework Agreements.

The principal terms of the New Financial Services Framework Agreements are summarized below.

(a) The New Financial Services (CGNPC Huasheng) Framework Agreement

Date

25 April 2024

Parties

- (1) The Company as service receiver; and
- (2) CGNPC Huasheng as Service Provider

Principal terms

Pursuant to the New Financial Services (CGNPC Huasheng) Framework Agreement, CGNPC Huasheng may accept deposits from the Group at an interest rate not less than the highest interest rate for the same type of deposit as may be offered by (i) major independent third party commercial banks to the Group; and (ii) CGNPC Huasheng to other subsidiaries, associates or affiliated companies of CGN. As CGNPC Huasheng is not licensed to take deposits, such deposit arrangements between the Group and CGNPC Huasheng will be arranged through third party commercial bank(s) acting as facilitator(s), whereby deposits placed with such bank(s) will be automatically transferred to the account(s) maintained at such bank(s) under the name of CGNPC Huasheng.

Subject to the compliance with applicable laws and regulations, money deposited by the Group with CGNPC Huasheng may be deployed by CGNPC Huasheng for the purposes of providing loans or other credit facilities to subsidiaries, associates or affiliated companies of CGN in its ordinary course of business.

In addition to the above deposit services, the Group may from time to time request CGNPC Huasheng to provide loan services, including the provision of credit lines, supply of loans, revolving facilities, non-financing letters of guarantees, bill acceptance, bill discount, financial consultancy (providing debt financing only without giving advice) and other loan-related services. CGNPC Huasheng shall provide such loan services to the Group, when other things being equal, at an interest rate not higher than (i) the lowest interest rate as may be offered by major third party commercial banks to the Group, and (ii) the lowest interest rate as may be offered by CGNPC Huasheng to other subsidiaries, associates or affiliated companies of CGN, for the same type of loan services. The relevant subsidiaries of the Group will not be required to provide any security for such loan services provided that the amount of the loans does not exceed the maximum amount of deposits placed by such subsidiaries of the Group with CGNPC Huasheng. In the event that the Group will require any loan or other financial services from CGNPC Huasheng under the New Financial Services (CGNPC Huasheng) Framework Agreement, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules accordingly.

The Group may from time to time request CGNPC Huasheng to provide settlement, transmittance or foreign exchange services with deposits placed by the Group with CGNPC Huasheng. CGNPC Huasheng shall provide such services to the Group at a service charge not higher than (i) the lowest service charge as may be offered by major independent third party commercial banks to the Group, and (ii) the lowest service charge that may be offered by CGNPC Huasheng to other subsidiaries, associates or affiliated companies of CGN, for the same type of services.

In the event of default of the New Financial Services (CGNPC Huasheng) Framework Agreement, the non-defaulting party is entitled to terminate the New Financial Services (CGNPC Huasheng) Framework Agreement by written notice.

The New Financial Services (CGNPC Huasheng) Framework Agreement does not prevent the Group from utilizing the depository services and other financial services set out therein offered by third party financial institutions or commercial banks. The Group is under no obligation or responsibility, and has absolute discretion, to utilize the depository services and the financial services provided by CGNPC Huasheng as set out in the New Financial Services (CGNPC Huasheng) Framework Agreement. At the same time, it is the sole discretion of CGNPC Huasheng as to whether to accept deposits from or provide other financial services to the Group as set out in the New Financial Services (CGNPC Huasheng) Framework Agreement.

(b) The New Financial Services (CGN Finance) Framework Agreement

Date

25 April 2024

Parties

- (1) The Company as service receiver; and
- (2) CGN Finance as Service Provider

Principal terms

Pursuant to the New Financial Services (CGN Finance) Framework Agreement, CGN Finance may accept deposits from the Group at an interest rate not less than the highest interest rate for the same type of deposit as may be offered by (i) major independent third party commercial banks to the Group; and (ii) CGN Finance to other subsidiaries, associates or affiliated companies of CGN. The deposit placing company within the Group will open and maintain depository accounts with CGN Finance for placing deposit.

Subject to the compliance with applicable laws and regulations, money deposited by the Group with CGN Finance may be deployed by CGN Finance for the purposes of providing loans or other credit facilities to subsidiaries, associates or affiliated companies of CGN in its ordinary course of business.

In addition to the above deposit services, the Group may from time to time request CGN Finance to provide loan services, including the provision of credit lines, supply of loans (including entrusted loans), revolving facilities, non-financing letters of guarantees, bill acceptance, bill discount, financial consultancy (providing debt financing only without giving advice) and other loan-related services. CGN Finance shall provide such loan services to the Group at an interest rate not higher than (i) the lowest interest rate as may be offered by major third party commercial banks to the Group, and (ii) the lowest interest rate as may be offered by CGN Finance to other subsidiaries, associates or affiliated companies of CGN, for the same type of loan services. The relevant subsidiaries of the Group will not be required to provide any security for such loan services provided that the amount of the loans does not exceed the maximum amount of deposits placed by such subsidiaries of the Group with CGN Finance. In the event that the Group will require any loan or other financial services from CGN Finance under the New Financial Services (CGN Finance) Framework Agreement, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules accordingly.

The Group may from time to time request CGN Finance to provide settlement, transmittance or foreign exchange services. CGN Finance shall provide such services to the Group at a service charge not higher than (i) the lowest service charge as may be offered by major independent third party commercial banks to the Group, and (ii) the lowest service charge that may be offered by CGN Finance to other subsidiaries, associates or affiliated companies of CGN, for the same type of services.

In the event of default of the New Financial Services (CGN Finance) Framework Agreement, the non-defaulting party is entitled to terminate the New Financial Services (CGN Finance) Framework Agreement by written notice.

The New Financial Services (CGN Finance) Framework Agreement does not prevent the Group from utilizing the depository services and other financial services set out therein offered by third party financial institutions or commercial banks. The Group is under no obligation or responsibility, and has absolute discretion, to utilize the depository services and the financial services provided by CGN Finance as set out in the New Financial Services (CGN Finance) Framework Agreement. At the same time, it is the sole discretion of CGN Finance as to whether to accept deposits from or provide other financial services to the Group as set out in the New Financial Services (CGN Finance) Framework Agreement.

Differences in the terms of the financial services offered by CGNPC Huasheng and CGN Finance

- (1) Save and except the following material differences, there are no material differences in the terms of the financial services offered by CGNPC Huasheng and CGN Finance:
 - (a) The deposit services under the New Financial Services (CGNPC Huasheng) Framework Agreement are to be arranged through third party commercial bank(s) as disclosed above, while such arrangement is not required under the New Financial Services (CGN Finance) Framework Agreement;
 - (b) The scope of loan services provided by CGN Finance includes provision of entrusted loans. However, there is no such arrangement in the scope of loan services provided by CGNPC Huasheng; and
 - (c) The provision of financial services by CGNPC Huasheng is governed by Hong Kong laws, while the provision of financial services by CGN Finance is governed by PRC laws.
- (2) The Group determines whether to place deposit to CGNPC Huasheng or CGN Finance based on the place of incorporation of the relevant Group company. If the relevant Group company is incorporated in the PRC, its funds will be deposited to CGN Finance. If the relevant Group company is incorporated outside of the PRC, its funds will be deposited to CGNPC Huasheng.

Duration of the New Financial Services Framework Agreements

The term of each of the New Financial Services Framework Agreements will, which is conditional upon (i) signing and stamping by the respective legal representatives or authorized representatives of both parties and (ii) the approval by the Independent Shareholders of the New Financial Services Framework Agreements and Annual Caps at the Special General Meeting, commence on the Effective Date, and end on 31 December 2026, inclusive.

Each of the New Financial Services Framework Agreements shall terminate on expiration of the then current term unless the Company notifies the relevant Service Provider of its intention to extend the term for another three financial years within three months prior to the expiration of the then current term and complies with the relevant requirements under the Listing Rules. Subject to the compliance with the Listing Rules, there is no limit on the number of times that the term of the New Financial Services Framework Agreements may be renewed in accordance with the above-mentioned procedures.

Further, each of the New Financial Services Framework Agreements is subject to early termination (i) by agreement between the parties or (ii) as required by the applicable laws and Listing Rules.

Reasons for and benefits of the entering into of the New Financial Services Framework Agreements

Based on total amount of deposits that the Group has placed with CGNPC Huasheng and CGN Finance for the three months ended 31 March 2024, the Company anticipates that the amount of the existing annual caps under the Original Financial Services Framework Agreements for the period commencing from 18 January 2024 and ending 31 December 2024 will not be sufficient to meet the demand of the Group. Accordingly, in light of the future business needs of the Group and benefits of continuing the transactions with the Service Providers, the Company proposes to enter into the New Financial Services Framework Agreements in order to revise the existing annual caps and extend the term until 31 December 2026.

For the reasons for and benefits of entering into of the Original Financial Services Framework Agreements, please refer to the announcement of the Company dated 18 January 2024 for details.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of the independent financial adviser) consider that the terms of the New Financial Services Framework Agreements are in the ordinary and usual course of business of the Group, on normal commercial terms and, together with the Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical figures

The maximum daily outstanding balance of deposits placed by the Group with the Service Providers (including their respective interest received and service fees, if any), for the three years ended 31 December 2023 in relation to the similar financial services arrangements entered into by the Service Providers, and the transactions contemplated under the New Financial Services Framework Agreements were as follows:

		For the year ended 31 December 2021 <i>(US\$ million)</i>	For the year ended 31 December 2022 <i>(US\$ million)</i>	For the year ended 31 December 2023 <i>(US\$ million)</i>
Maximum daily outstanding balance of deposits (with interest)	CGNPC Huasheng	251	24	45
	CGN Finance	308	502	483
	Total	559	526	528

The existing respective annual caps for the maximum daily outstanding balance of deposits to be placed by the Group with the Service Providers under the Original Financial Services Framework Agreements, together with the relevant interest to be received and service fees (if any), for the period commencing from 18 January 2024 and ending 31 December 2024 are as follows:

	For the period from 18 January 2024 to 31 December 2024 <i>(US\$ million)</i>
Original Financial Services (CGNPC Huasheng) Framework Agreement	3
Original Financial Services (CGN Finance) Framework Agreement	50
Total	53

Annual Caps

The estimated respective Annual Caps for the maximum daily outstanding balance of deposits to be placed by the Group with the Service Providers under the New Financial Services Framework Agreements, together with the relevant interest to be received and service fees (if any), for the period from the Effective Date to 31 December 2024 and for the two years ending 31 December 2026 are as follows:

	For the period from the Effective Date to 31 December 2024 <i>(US\$ million)</i>	For the year ending 31 December 2025 <i>(US\$ million)</i>	For the year ending 31 December 2026 <i>(US\$ million)</i>
New Financial Services (CGNPC Huasheng) Framework Agreement	260	80	80
New Financial Services (CGN Finance) Framework Agreement	540	750	790
Total	800	830	870

Since the loan services are not required to be secured by the assets of the Group and are expected to be conducted on normal commercial terms or better, they are expected to be fully exempt under Rule 14A.90 of the Listing Rules. Therefore, no annual caps are set for such loan transactions.

As at the date of this announcement, the Group does not have any plan to engage the Service Providers to provide other financial services to the Group. Therefore, no annual caps are set for such other financial services transactions.

In arriving at the above Annual Caps, the following factors have been considered:

- (1) the total amount of deposits that the Group has placed with CGNPC Huasheng and CGN Finance for the three years ended 31 December 2023 and the Group's expected available free cash for the three years ending 31 December 2026 by taking into account (i) the actual cash balance of the Group as at 31 December 2023 of approximately US\$290 million; (ii) the expected cash flow to be generated from operation for the remaining year and the next two financial years; and (iii) the projected interest income of the Group for the three years ending 31 December 2026;
- (2) the utilization of the depository services when considered in the context of the other financial services (including the loan services and the settlement services) that are available to the Group can greatly facilitate deployment of surplus funds within the Group which can have a material impact as the business of the Group grows and its cash resources increase;
- (3) the strategies for treasury management of the Group, after taking into account the business development plans and the financial needs of the Group; and
- (4) the possible favorable interest rate to be obtained by the Group from CGNPC Huasheng and CGN Finance compared with interest rate that could otherwise be obtained by placing deposits with independent commercial bank(s) or financial institution(s).

Internal control measures for transactions under the New Financial Services Framework Agreements

In order to safeguard the interests of the Group, each of the New Financial Services Framework Agreements provides for the following monitoring and internal controls measures:

- (1) before the Company or any of its subsidiaries enters into any fixed deposit services with the Service Providers, the finance department of the relevant member of the Group will, based on the then funding needs and the liquidity position of the Group, determine the type and terms of the deposits. The finance department will then obtain the rates and terms offered by the Service Providers and at least two other independent financial institutions for deposits of similar type for the same period. After comparing the quotes, if the finance department confirms that the rates and terms offered by the Service Providers (i) are no less favorable to the Group than those offered by other independent financial institutions; and (ii) comply with the terms and conditions of the New Financial Services Framework Agreements, it will submit an application to the chief financial officer of the relevant member of the Group for consideration and, if appropriate, approval. Records of the quotes, the recommendations and the approval notes will be kept by the Group for sample checking by the auditor;
- (2) the Group will, during the interim period after the expiry of the fixed deposit placed with the Service Providers until the withdrawal of the funds, place the current deposits with the Service Providers. The finance department of the Group will monitor the comparable market interest rates from at least two independent financial institutions to ensure that the interest rates offered by the Service Providers are no less favorable to the Group, and will withdraw the current deposits from the Service Providers if the interest rates they offer are less favorable to the Group;
- (3) each of the Service Providers shall during the regular business hours on each business day provide the Company with a daily report on the status of the Group's deposits with the Service Providers to allow the Group to monitor and ensure that the daily deposit balance (including interests accrued thereon) with the Service Providers do not exceed the Annual Caps;
- (4) the Service Providers shall set up and maintain, or procure the setting up and maintenance of, a secured and stable information system through which the relevant subsidiaries of the Group which deposit money with the Service Providers can view the balance of such deposits at any time on any day;

- (5) the Service Providers shall, in taking and managing the deposits from the Group, not affect the normal use of the deposits by the Group. By no later than the seventh business day of each month, the relevant subsidiaries of the Group which deposit money with the Service Providers will submit a report to the Service Providers on their funding requirements for the month to ensure that deployment by the Service Providers of the funds deposited with them will not inhibit or restrict the ability of the relevant subsidiaries of the Group from utilizing their funds, and if the relevant subsidiaries of the Group inform the Service Providers of any fund utilization exceeding the reported funding requirement at any time, the Service Providers shall use its best efforts to procure that there will be sufficient funds for the relevant subsidiaries of the Group to withdraw from and shall respond within one business day to confirm whether the requested utilization amount is available for withdrawal;
- (6) the Service Providers shall facilitate any annual inspection by the Group of the management of the deposits placed by the Group with the Service Providers, including inspection of records of fund flows, interest rates and payments provided to the Group's deposits, the balances of the Group's deposits placed, and other information and records that may be required by the Company's auditor for the purpose of reporting on the relevant continuing connected transactions;
- (7) the Group will evaluate and assess the financial performance and position of the Service Providers on a quarterly basis, based on its review of the management accounts of the Service Providers;
- (8) each of the Service Providers will provide its annual financial report and other documents and information to the Company at its request; and
- (9) in accordance with the Listing Rules, (i) the independent auditor of the Group will continue to report annually on the transactions under the New Financial Services Framework Agreements to confirm, among other things, whether the transactions were entered into in accordance with the New Financial Services Framework Agreements and the pricing policies of the Group; and (ii) the independent non-executive Directors will continue to report annually on whether the transactions under the New Financial Services Framework Agreements are, among other things, on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Termination of the Original Financial Services Framework Agreements

Subject to the fulfilment of the conditions set out in the paragraphs headed “Duration of the New Financial Services Framework Agreements”, each of the Original Financial Services Framework Agreements shall terminate upon each of the relevant New Financial Services Framework Agreements becomes effective on the Effective Date.

2. VARIATION AGREEMENT IN RELATION TO THE RUDONG ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACT

References are made to the announcement of the Company dated 25 November 2020 and the circular of the Company dated 8 December 2020, in relation to, among other things, the entering into of the Rudong Entrusted Construction Management Contract between CGN Nantong and China Nuclear Power Engineering as the Contractor on 25 November 2020, pursuant to which CGN Nantong has conditionally agreed to engage China Nuclear Power Engineering and China Nuclear Power Engineering has conditionally agreed to undertake the design, procurement and construction and construction management work of the Rudong Offshore 300MW Wind Farm Project. The initial total consideration under the Rudong Entrusted Construction Management Contract is approximately RMB2.1 billion (inclusive of tax).

In view of changes in the work scope and market price necessary to complete the Rudong Offshore 300MW Wind Farm Project that leads to an increase in costs, on 25 April 2024, CGN Nantong and China Nuclear Power Engineering mutually agreed to enter into the Variation Agreement, in order to, among others, revise the total consideration under the Rudong Entrusted Construction Management Contract to approximately RMB2.4 billion (inclusive of tax).

Variation Agreement

A summary of the principal terms of the Variation Agreement is set out below:

Date	25 April 2024
Parties	(1) CGN Nantong (as employer); and (2) China Nuclear Power Engineering (as Contractor)

Revised total consideration

The initial total consideration payable to the Contractor under the Rudong Entrusted Construction Management Contract is a fixed contract price of approximately RMB2.1 billion.

It is proposed that the total consideration payable to the Contractor under the Rudong Entrusted Construction Management Contract shall be revised to a fixed contract price of approximately RMB2.4 billion (inclusive of tax) which comprises the following:

- (1) Equipment procurement fees (inclusive of tax) of approximately RMB570 million, increased by approximately RMB1 million from approximately RMB569 million;
- (2) Construction and installation engineering fees (inclusive of tax) of approximately RMB1,746 million, increased by approximately RMB332 million from approximately RMB1,414 million;
- (3) Survey and design fees (inclusive of tax) of approximately RMB52 million, which remains unchanged;
- (4) Other service fees (inclusive of tax) of approximately RMB31 million, increased by approximately RMB6 million from approximately RMB25 million; and
- (5) Project management fees (inclusive of tax) of approximately RMB30 million, which remains unchanged.

Pricing basis

The revised total consideration was determined by the parties after arm's length negotiation with reference to (i) changes in the work scope and market price necessary to complete the Rudong Offshore 300MW Wind Farm Project that leads to an increase in costs; (ii) the consideration that such increase in costs is not due to mismanagement by the Contractor; and (iii) most of the increase is composed of increase in construction and installation engineering fees. The increase in total consideration is in line with general commercial terms and market price of similar projects. The project management fees (inclusive of tax) remain unchanged at RMB30 million and the rate charged remains lower than the rate set out in the "Regulations and Cost Standards for Preparation of Budgetary Estimates for Offshore Wind Farm Engineering Design" (《海上風電場工程設計概算編製規定及費用標準》).

The Board considers the revised total consideration to be fair and reasonable.

Payment terms and schedule

Subject to the fulfillment of the conditions precedent of the Variation Agreement, the additional amount (other than any quality assurance fee) resulting from the increase in the total consideration shall be paid as soon as possible after approval by Shareholders and any quality assurance fee shall be paid in accordance with the provisions regarding quality assurance fees under the Rudong Entrusted Construction Management Contract.

Conditions precedent

- (1) The Company shall have obtained the approval from its Independent Shareholders at the Special General Meeting in accordance with the requirements under the Listing Rules and/or in compliance with any other requirements of the Stock Exchange and/or the Listing Rules; and
- (2) CGN Power shall have complied with the requirements under the Listing Rules and/or listing rules of the Shenzhen Stock Exchange (where applicable).

Save as disclosed above, all the major terms and conditions of the Rudong Entrusted Construction Management Contract remain unchanged and in full force and effect in all respects. For details of the Rudong Entrusted Construction Management Contract, please refer to the announcement and circular of the Company dated 25 November 2020 and 8 December 2020, respectively.

Reasons for and Benefits of Entering into of the Variation Agreement

On 21 May 2019, the National Development and Reform Commission issued the “Notice on Improving the Wind Power On-grid Tariff Policy” (《關於完善風電上網電價政策的通知》) (the “**Notice**”). According to the Notice, with respect to any offshore wind power project approved by governmental authorities in 2018, such offshore wind power project will be able to enjoy the on-grid tariff determined at the time of approval only if all of its electricity generation units are connected to the grid by 31 December 2021, otherwise a lower guidance price for the year of on-grid connection will be implemented.

As the Rudong Offshore 300MW Wind Power Project was one of such offshore wind power projects approved in 2018, its full capacity grid connection was required to be completed by 31 December 2021 otherwise the Group would not be able to enjoy a higher on-grid tariff determined at the time of approval, which is RMB0.85 per kWh. As disclosed in the Company’s annual result announcement for the year 2021 dated 22 March 2022 and annual report for the year 2021 published on 19 April 2022, the Rudong Offshore 300MW Wind Power Project has been connected to the grid in full capacity as planned in 2021. As such, the higher on-grid tariff has been secured.

Due to a deadline driven “rush-to-install-tide” (搶裝潮), the overall construction scale of offshore wind power projects in China increased significantly in 2021, leading to significant shortages of the resources (such as equipment, storage facilities and staff) necessary for construction and substantial increases in their market prices. According to the information released by the Wind Energy Committee of China Renewable Energy Association (中國可再生能源學會風能專業委員會), in the first three quarters of 2021, China saw an approximately 227% increase in offshore wind power installations with grid connection in terms of the power generation capacity as compared with the same period in 2020. The pandemic also contributed to such shortages and price increases. While the Group and the Contractor had initially been aware of the possibility of such “rush-to-install-tide”, the severity of the shortages and the magnitude of the price increases in construction resources were unprecedented and unforeseeable.

Such shortages and market price increases in construction resources have in turn contributed to the increases in construction and installation engineering fees and other service fees. Further, in order to secure the planned full capacity grid connection in 2021, the Contractor has taken necessary measures, including securing additional storage facilities, construction equipment, construction and transportation vessels, which have resulted in the changes in the scope of the construction and installation engineering work and other service and hence also contributed to the increases in construction and installation engineering fees and other service fees. Such market price increases and changes in work scope resulted in the increases in (a) the construction and installation engineering fees from approximately RMB1,414 million to approximately RMB1,746 million and (b) the other service fees from approximately RMB25 million to approximately RMB31 million.

Also, the equipment procurement fees increased by RMB1 million due to a governmental authority's additional request to add anti-corrosion coatings with absorbing properties which resulted in the changes in the work scope for the equipment procurement service and an increase in the fee.

As the Rudong Offshore 300MW Wind Power Project has been connected to the grid in full capacity in 2021 as planned, the initial total consideration under the Rudong Entrusted Construction Management Contract has been paid according to its original payment schedule with certain quality assurance fees reserved for the relevant warranty period. Subject to the fulfillment of the conditions precedent of the Variation Agreement, the additional amount (other than any quality assurance fee) resulting from the increase in the total consideration shall be paid as soon as possible after approval by Shareholders and any quality assurance fee shall be paid in accordance with the provisions regarding quality assurance fees under the Rudong Entrusted Construction Management Contract.

The revised total consideration was determined by the parties after arm's length negotiation with reference to (i) changes in the work scope and market price necessary to complete the Rudong Offshore 300MW Wind Farm Project that leads to an increase in costs; (ii) the consideration that such increase in costs is not due to mismanagement by the Contractor; and (iii) most of the increase is composed of increase in construction and installation engineering fees. The increase in total consideration is in line with general commercial terms and market price of similar projects. The project management fees (inclusive of tax) remain unchanged at RMB30 million and the rate charged remains lower than the rate set out in the "Regulations and Cost Standards for Preparation of Budgetary Estimates for Offshore Wind Farm Engineering Design" 《海上風電場工程設計概算編製規定及費用標準》).

Taking into consideration of the circumstances leading to the increase in total consideration, including, among others, the severity of the shortages and the magnitude of the price increases in construction resources, and the fact that the Contractor was able to ensure the planned full capacity grid connection in 2021 so that the Group is able to enjoy the higher on-grid tariff, the Board considers that (i) such increase in costs is not due to the mismanagement by the Contractor and (ii) the revised total consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

For the reasons for and benefits of entering into of the Rudong Entrusted Construction Management Contract, please refer to the announcement and circular of the Company dated 25 November 2020 and 8 December 2020, respectively.

For the reasons for selecting China Nuclear Power Engineering as the Contractor for the Rudong Entrusted Construction Management Contract and the reasons and benefits of using CGN Nantong, a non-wholly owned subsidiary of the Company, to enter into the Rudong Entrusted Construction Management Contract, please refer to the circular of the Company dated 8 December 2020 for details.

Based on the above, the Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of the independent financial adviser), have confirmed that the revised total consideration and the terms of the Variation Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Financial Effects of the Variation Agreement

As a result of entering into the Variation Agreement, the property, plant and equipment of the Group will be increased additionally by approximately RMB0.3 billion and the liabilities of the Group will be increased additionally by approximately RMB0.2 billion. The overall effects of entering into the Variation Agreement on the future earnings of the Group will depend on the return to be generated from the operation of the Rudong Offshore 300MW Wind Farm Project.

INFORMATION ON THE PARTIES

The Company

The Company is a diversified independent power producer in terms of fuel type and geography, with a portfolio of gas-fired, coal-fired, oil-fired, wind, solar, hydro, cogen, fuel cell and biomass projects in the PRC and Korea power markets.

CGNPC Huasheng

CGNPC Huasheng is a wholly owned subsidiary of CGN which was incorporated in Hong Kong in January 2010 by the CGN Group for providing financial related services to members of the CGN Group outside the PRC including Hong Kong. CGNPC Huasheng is a licensed money lender in Hong Kong but not a licensed deposit-taking company or an authorized institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) in Hong Kong.

CGN Finance

CGN Finance is a non-wholly owned subsidiary of CGN which was established in the PRC in July 1997 by the CGN Group for providing financial related services to members of the CGN Group in the PRC. As at the date of this announcement, CGN Finance is owned as to approximately 66.7% by CGN, 30% by China Nuclear Power Engineering, and 3.3% by CGN Services Group Co., Ltd.* (中廣核服務集團有限公司), respectively. For details of its ultimate beneficial owners, please refer to paragraphs headed “China Nuclear Power Engineering” and “CGN Services Group Co., Ltd.” below of this announcement. CGN Finance is a non-banking financial institution subject to the regulations of the PBOC and the National Financial Regulatory Administration in the PRC.

CGN Nantong

CGN Nantong is a non-wholly owned subsidiary of the Company incorporated in the PRC. As at the date of this announcement, CGN Nantong is owned as to 85.5% indirectly held by the Company, 4.5% by Jiangsu Dongdian New Energy Technology Engineering Company Limited* (江蘇東電新能源科技工程有限公司), 5% by Haiheng Rudong Offshore Wind Power Company Limited* (海恒如東海上風力發電有限公司) and 5% by Zhongtian Technology Group Marine Engineering Company Limited* (中天科技集團海洋工程有限公司), respectively. It is principally engaged in the development, construction, operation and maintenance of projects for generation of wind power and photovoltaic power projects, as well as the technical consultation and services for wind power and photovoltaic power projects.

China Nuclear Power Engineering

China Nuclear Power Engineering is a non-wholly owned subsidiary of CGN and a wholly owned subsidiary of CGN Power incorporated in the PRC. It is principally engaged in contracting of nuclear power and civil construction projects, and engineering construction technical services and consultation. For details of its ultimate beneficial owners, please refer to paragraph headed “CGN Power” below of this announcement.

The CGN Group

CGN is a state-owned enterprise established in the PRC and the controlling shareholder of the Company. The CGN Group is principally engaged in the generation and sale of power, construction, operation and management of nuclear, clean and renewable power projects. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the equity interest of CGN is held as to 90% by State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會) and 10% by Guangdong Hengjian Investment Holding Co., Ltd.* (廣東恒健投資控股有限公司), a Guangdong Provincial Government owned enterprise which is principally engaged in state-owned assets operation and management within the scope of authority, state-owned equity interests operation and management, entrusted management, capital operations, funds investment and management, equity interests investment and management, financial investment, finance leasing, insurance brokerage, industry research as well as investment and consultation business for conducting the abovementioned businesses.

CGN Power

CGN Power is a non-wholly owned subsidiary of CGN incorporated in the PRC. It is principally engaged in the investment in construction of nuclear power generating units, technical improvements in the nuclear power plants in operation, and research & development of technologies related to nuclear power. Its shares are listed on both the Main Board of the Stock Exchange and the Shenzhen Stock Exchange.

CGN Services Group Co., Ltd.

CGN Services Group Co., Ltd.* (中廣核服務集團有限公司) is a wholly owned subsidiary of CGN incorporated in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, it is principally engaged in property, catering, transportation, gardening businesses etc..

APPROVAL BY THE BOARD

None of the Directors has a material interest in (i) the New Financial Services Framework Agreements; and (ii) the Variation Agreement. As the Overlapping Directors are directors and/or senior management of certain members of the CGN Group, for good corporate governance, they have abstained from voting on the resolutions of the Board approving (i) the New Financial Services Framework Agreements and the Annual Caps; and (ii) the Variation Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGN is the controlling shareholder indirectly holding approximately 72.33% of the issued share capital of the Company. CGNPC Huasheng and CGN Finance are subsidiaries of CGN, and are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Financial Services Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the nature of the services to be provided to the Group under the New Financial Services Framework Agreements is similar, the Annual Caps under the New Financial Services Framework Agreements shall be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratios in relation to the Annual Caps exceeds 25% but is less than 100%, the transactions contemplated under the New Financial Services Framework Agreements constitute major transactions and continuing connected transactions of the Company, which are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

China Nuclear Power Engineering is a subsidiary of CGN and is therefore a connected person of the Company under the Listing Rules. The entering into of the Variation Agreement constitutes a material variation to the terms of the very substantial acquisition and connected transaction previously approved by the Independent Shareholders of the Company at the special general meeting held on 23 December 2020. As such, the Company is required to re-comply with all applicable provisions under the Listing Rules, including the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Amended Rudong Entrusted Construction Management Contract exceeds 25% but is less than 100%, the Amended Rudong Entrusted Construction Management Contract constitutes a major transaction and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

The Company will convene the Special General Meeting for the purposes of, among others, seeking approval from the Independent Shareholders on (i) the entering into and the terms of the New Financial Services Framework Agreements and the Annual Caps; and (ii) the entering into and the terms of the Variation Agreement. The Independent Board Committee has been established to consider (i) the entering into and the terms of the New Financial Services Framework Agreements and the Annual Caps; and (ii) the entering into and the terms of the Variation Agreement, and to advise the Independent Shareholders as to whether (i) the entering into and the terms of the New Financial Services Framework Agreements and the Annual Caps; and (ii) the entering into and the terms of the Variation Agreement are in the interests of the Company and the Shareholders as a whole. Altus Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further information on (i) the terms of the New Financial Services Framework Agreements and the Annual Caps; (ii) the terms of the Variation Agreement; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the Special General Meeting, is expected to be despatched to the Shareholders on or before 7 May 2024.

DEFINITIONS

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

“Altus Capital Limited”	Altus Capital Limited, a corporation licensed to carry out 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 appointed to advise the Independent Board Committee and the Independent Shareholders on (i) the New Financial Services Framework Agreements and the Annual Caps and (ii) the Variation Agreement
“Amended Rudong Entrusted Construction Management Contract”	the Rudong Entrusted Construction Management Contract as amended by the Variation Agreement
“Annual Caps”	the proposed annual caps in respect of the transactions contemplated under the New Financial Services Framework Agreements for the period from the Effective Date to 31 December 2026
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“CGN”	China General Nuclear Power Corporation (中國廣核集團有限公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company indirectly holding approximately 72.33% of the issued share capital in the Company as at the date of this announcement
“CGN Finance”	CGN Finance Co., Ltd.* (中廣核財務有限責任公司), a company established in the PRC and a non-wholly owned subsidiary of CGN
“CGN Group”	CGN and its subsidiaries, excluding the Group
“CGN Nantong”	CGN New Energy Nantong Co., Ltd.* (中廣核新能源南通有限公司), a non-wholly owned subsidiary of the Company incorporated in the PRC

“CGN Power”	CGN Power Co., Ltd.* (中國廣核電力股份有限公司), a non-wholly owned subsidiary of CGN and a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on both the Main Board of the Stock Exchange (stock code: 1816) and the Shenzhen Stock Exchange
“CGNPC Huasheng”	CGNPC Huasheng Investment Limited* (中廣核華盛投資有限公司), a company established in Hong Kong and a wholly owned subsidiary of CGN
“China Nuclear Power Engineering” or “Contractor”	China Nuclear Power Engineering Co., Ltd.* (中廣核工程有限公司), a company established in the PRC, a non-wholly owned subsidiary of CGN and a wholly owned subsidiary of CGN Power
“Company”	CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1811)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Effective Date”	the date on which the New Financial Services Framework Agreements shall become effective upon (i) signing and stamping by the respective legal representatives or authorized representatives of both parties, and (ii) the approval by the Independent Shareholders of the New Financial Services Framework Agreements and Annual Caps at the Special General Meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors
“Independent Shareholders”	the Shareholders other than CGN and its associates (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“MW”	Megawatts
“New Financial Services (CGN Finance) Framework Agreement”	the agreement in relation to the deposit and other financial services arrangements in the PRC provided by CGN Finance to the Group entered into on 25 April 2024
“New Financial Services (CGNPC Huasheng) Framework Agreement”	the agreement in relation to the deposit and other financial services arrangements in Hong Kong provided by CGNPC Huasheng to the Group entered into on 25 April 2024
“New Financial Services Framework Agreements”	collectively, the New Financial Services (CGNPC Huasheng) Framework Agreement and the New Financial Services (CGN Finance) Framework Agreement
“Original Financial Services (CGN Finance) Framework Agreement”	the agreement in relation to the deposit and other financial services arrangements in the PRC provided by CGN Finance to the Group entered into on 18 January 2024
“Original Financial Services (CGNPC Huasheng) Framework Agreement”	the agreement in relation to the deposit and other financial services arrangements in Hong Kong provided by CGNPC Huasheng to the Group entered into on 18 January 2024
“Original Financial Services Framework Agreements”	collectively, the Original Financial Services (CGNPC Huasheng) Framework Agreement and the Original Financial Services (CGN Finance) Framework Agreement

“Overlapping Directors”	Directors who are also directors and/or senior management of certain members of the CGN Group, namely Mr. Zhang Zhiwu, Mr. Li Guangming, Mr. Liu Qingming and Mr. Zhao Xianwen
“PBOC”	the People’s Bank of China
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference only and except when the context requires, references in this announcement to the PRC do not include Hong Kong of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Rudong Entrusted Construction Management Contract”	the contract in relation to the design, procurement and construction work and management of the Rudong Offshore 300MW Wind Farm Project entered into on 25 November 2020
“Rudong Offshore 300MW Wind Farm Project”	Rudong Offshore 300MW Wind Farm Project that is to be designed, engineered, procured, constructed, installed, tested, commissioned, completed and rectified under the Rudong Entrusted Construction Management Contract
“Service Providers”	collectively, CGNPC Huasheng and CGN Finance
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)

“Special General Meeting”	the special general meeting or any adjournment thereof of the Company to be held on 23 May 2024 (Hong Kong time) to, among others, consider and, if thought fit, approve (i) the entering into and the terms of the New Financial Services Framework Agreements and the Annual Caps; and (ii) the entering into and the terms of the Variation Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States Dollars, the lawful currency of the United States of America
“Variation Agreement”	the variation agreement dated 25 April 2024 entered into between CGN Nantong and China Nuclear Power Engineering to amend and supplement certain terms of the Rudong Entrusted Construction Management Contract
“%”	per cent.

By Order of the Board
CGN New Energy Holdings Co., Ltd.
Li Guangming
President and Executive Director

Hong Kong, 25 April 2024

As at the date of this announcement, the Board comprises seven Directors, namely:

<i>Executive Directors</i>	:	<i>Mr. Zhang Zhiwu (Chairman) and Mr. Li Guangming (President)</i>
<i>Non-executive Directors</i>	:	<i>Mr. Liu Qingming and Mr. Zhao Xianwen</i>
<i>Independent Non-executive Directors</i>	:	<i>Mr. Wang Minhao, Mr. Yang Xiaosheng and Mr. Leung Chi Ching Frederick</i>

* *For identification purpose only.*