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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)

Very Substantial Acquisitions

and

Connected Transactions

in Relation to the Entrusted Construction Management Contracts

THE ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACTS

The Board announces that on 25 November 2020, (i) CGN Nantong entered into the Rudong Entrusted Construction Management Contract with China Nuclear Power Engineering as the Contractor, 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, construction and construction management work of the Rudong Offshore 300MW Wind Farm Project. The total consideration under the Rudong Entrusted Construction Management Contract is approximately RMB2.1 billion (equivalent to approximately US\$311.3 million, inclusive of tax); and (ii) CGN Shengsi entered into the Shengsi Entrusted Construction Management Contract with China Nuclear Power Engineering as the Contractor pursuant to which CGN Shengsi has conditionally agreed to engage China Nuclear Power Engineering and China Nuclear Power Engineering has conditionally agreed to undertake the design, procurement, construction and construction management work of the Shengsi Offshore Wind Farm Project. The total consideration under the Shengsi Entrusted Construction Management Contract is approximately RMB2.3 billion (equivalent to approximately US\$345.2 million, inclusive of tax).

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGN is a controlling shareholder indirectly holding approximately 72.29% of the issued share capital of the Company. China Nuclear Power Engineering is a non-wholly-owned subsidiary of CGN and is therefore a connected person of the Company under the Listing Rules.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the transactions contemplated under the Rudong Entrusted Construction Management Contract and the Shengsi Entrusted Construction Management Contract are required to be aggregated since they are entered into by the Group with the same party, i.e. China Nuclear Power Engineering, on the same day and are of a similar nature. Since one or more of the applicable percentage ratios in relation to the total consideration payable to China Nuclear Power Engineering under the Entrusted Construction Management Contracts, on an aggregate basis, exceed 100%, the entering into of the Entrusted Construction Management Contracts constitutes very substantial acquisitions and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules, respectively. The entering into of the Entrusted Construction Management Contracts is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

On 25 November 2020, the Company issued a notice to convene the Special General Meeting, among others, seeking approval from the Independent Shareholders on (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps (as defined therein). The Company intends to seek approval from the Independent Shareholders in the same Special General Meeting, among others, on (i) the entering into and the terms of the Rudong Entrusted Construction Management Contract; and (ii) the entering into and the terms of the Shengsi Entrusted Construction Management Contract. The Independent Board Committee has been established to consider the entering into and the terms of the Entrusted Construction Management Contracts, and to advise the Independent Shareholders as to whether the Entrusted Construction Management Contracts 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 Entrusted Construction Management Contracts; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the supplemental notice of the Special General Meeting, is expected to be despatched to the Shareholders on or before 8 December 2020.

THE ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACTS

(I) Rudong Entrusted Construction Management Contract

On 25 November 2020, (i) CGN Nantong entered into the Rudong Entrusted Construction Management Contract with China Nuclear Power Engineering as the Contractor, 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 total consideration under the Rudong Entrusted Construction Management Contract is approximately RMB2.1 billion (equivalent to approximately US\$311.3 million, inclusive of tax).

A summary of the principal terms of the Rudong Entrusted Construction Management Contract is set out below:

Date	25 November 2020
Parties	(1) Employer: CGN Nantong; and (2) Contractor: China Nuclear Power Engineering

Subject Matter

The Contractor shall be appointed as the contractor to undertake the survey and design, equipment and material procurement (including 220kV geographic information system for sea booster stations, main boosters and step-down transformers, 35kV and above voltage level switchgears, submarine cables, wind turbine foundations, booster station upper modules and basic prefabrication manufacturing supervision, but excluding wind turbine manufacturing supervision), construction and installation engineering, equipment testing and adjustment, quality inspection, warranty period maintenance, completion and construction management of the Rudong Offshore 300MW Wind Farm Project. The Rudong Offshore 300MW Wind Farm Project is located on the east side of the Rudong Planning Area (如東規劃區域). The center of the wind farm is about 65km off the coast, and the elevation of mud surface of the seabed is between -12m and -21m and the seabed is jagged to a certain degree. 25 wind turbines with unit capacity of 4.0MW each and 40 wind turbines with unit capacity of 5.0MW each are planned to be deployed, with a planned total installed capacity of 300MW.

Total consideration

The total consideration payable to the Contractor under the Rudong Entrusted Construction Management Contract shall be a fixed contract price of approximately RMB2.1 billion (equivalent to approximately US\$311.3 million) which comprises the followings:

- (1) Equipment procurement fees (inclusive of tax) of approximately RMB569,000,000;
- (2) Construction and installation engineering fees (inclusive of tax) of approximately RMB1,414,000,000;
- (3) Survey and design fees (inclusive of tax) of approximately RMB52,000,000;
- (4) Other service fees (inclusive of tax) of approximately RMB25,000,000; and

- (5) Project management fees (inclusive of tax) of approximately RMB30,000,000.

In the event that there is a change in the work scope of the Rudong Entrusted Construction Management Contract that leads to an increase in costs, and provided that such increase in costs is not due to mismanagement by the Contractor, the Contractor shall be compensated for the increase in costs after such costs have been mutually agreed by both parties.

After carrying out relevant evaluation and considering various factors, including the technical experience, professional qualifications, business reputation and project management capabilities, the Company selected China Nuclear Power Engineering as the Contractor for the construction work of the Rudong Offshore 300MW Wind Farm Project.

Pricing basis

The total consideration was determined by the parties after arm's length negotiation with reference to (i) the estimated public tender price of the downstream subcontracts; and (ii) the management fees charged by the Contractor, in line with general commercial terms and market price of similar projects. The management fees charged by the Contractor was determined by the parties after arm's length negotiation and the rate charged is lower than the rate set out in the "Regulations and Cost Standards for the Preparation of Budgetary Estimates for Offshore Wind Farm Engineering Design" (《海上風電場工程設計概算編制規定及費用標準》), the industry standard in the PRC. The Board considers the total consideration to be fair and reasonable. The total consideration will be financed by equity of CGN Nantong as to approximately 33% and debt financing from PRC banks as to approximately 67%.

**Payment terms
and schedule**

(A) Payment of equipment procurement fees

	Payment of Wind Power Towers	Payment of Submarine Cables	Payment of Other Equipment
(1) Advance payment	The Employer shall pay the Contractor ten per cent (10%) of the total price of the wind power towers, being the advance payment, within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor ten per cent (10%) of the total price of the submarine cables, being the advance payment, within 40 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor ten per cent (10%) of the payment of the equipment other than the wind power towers and submarine cables, being the advance payment, within 40 days after receipt and verification of the relevant invoices provided by the Contractor.
(2) Raw materials payment	The Employer shall pay the Contractor twenty per cent (20%) of the payment of wind power towers being the payment of raw materials within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor thirty per cent (30%) of the payment of submarine cables being the payment of raw materials within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	N/A
(3) Arrival payment	The Employer shall pay the Contractor forty per cent (40%) of the price of the batch of the arriving equipment being the arrival payment within 30 days after receipt and verification of the relevant invoices provided by the Contractor.		The Employer shall pay the Contractor sixty per cent (60%) of the price of the batch of the arriving equipment being the arrival payment within 30 days after receipt and verification of the relevant invoices provided by the Contractor.

	Payment of Wind Power Towers	Payment of Submarine Cables	Payment of Other Equipment
(4) Preliminary acceptance payment	The Employer shall pay the Contractor twenty per cent (20%) of the price of the batch of wind power towers being the preliminary acceptance payment within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor fifteen per cent (15%) of the price of the batch of submarines cables being the preliminary acceptance payment within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor twenty per cent (20%) of the price of corresponding equipment being the preliminary acceptance payment within 40 days after receipt and verification of the relevant invoices provided by the Contractor.
(5) Quality Assurance Fees	The Employer shall pay the Contractor ten per cent (10%) of the contract price for each batch of equipment being the final payment, after 2 years of the issue of the proof of preliminary acceptance of such batch of equipment, and within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay five per cent (5%) of the price of the corresponding submarine cables being the quality assurance fees within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay ten per cent (10%) of the price of the corresponding equipment being the quality assurance fees within 30 days after receipt and verification of the relevant invoices provided by the Contractor.

The Employer shall pay the quality assurance fees within 40 days after the start of the warranty period, and upon the Contractor providing a warranty guarantee of the corresponding amount.

(B) Payment of construction and installation engineering fees

(1) Advance Payment

- (i) From the effective date of the Rudong Entrusted Construction Management Contract and within 40 days after receipt and verification of the relevant invoices issued by the Contractor, the Employer shall pay the Contractor fifteen per cent (15%) of the construction and installation engineering fees, being the first advance payment;
- (ii) Upon the commencement of work on the first monopipe and within 40 days after receipt and verification of the relevant invoices issued by the Contractor, the Employer shall pay the Contractor ten per cent (10%) of the construction and installation engineering fees, being the second advance payment; and
- (iii) Upon the arrival of the first batch of steel plates for composite cylinders, and within 40 days after receipt and verification of the relevant invoices issued by the Contractor, the Employer shall pay the Contractor ten per cent (10%) of the price of the “Composite Cylinders Foundation Construction and Wind Turbine Generator Systems Instalment Construction”, being the third advance payment.

Applying advance payment towards progress payment by way of deduction: twenty per cent (20%) of the monthly progress payment can be settled by advance payment made. The starting point is the one month after the Employer pays the advance payment.

(2) *Progress Payment*

The Contractor shall submit a progress payment application on a monthly basis. Upon the verification by the supervising engineer on the progress payment application, the Employer shall pay the progress payment up to ninety-five per cent (95%) of the current construction price, inclusive of the amount of advance payment made, within 40 days after receipt of the signed construction acceptance form issued by the supervising engineer and the corresponding tax invoice provided by the Contractor.

When the total amount of the progress payment reaches eighty-seven per cent (87%) of the initial contract price, the Employer shall stop making progress payments, upon the issuance of the engineering acceptance certificate and the completion of the completion settlement, the Employer shall pay the Contractor the remaining amount of the initial contract price save for quality assurance fees.

(3) *Quality Assurance Fees*

The Employer shall pay the quality assurance fees (being three per cent (3%) of the construction and installation engineering fees) within 40 days after the start of the warranty period, and upon the Contractor providing a warranty guarantee of the corresponding amount.

(4) *Production Safety Measures Fees*

Thirty per cent (30%) of the total amount of the production safety measures fees shall be paid in the first month upon the commencement of the construction, the remaining amount shall be paid in the same schedule and in the same proportion of the construction and installation engineering progress payment. The Contractor shall ensure that such fees are to be dedicated for such specified use. If the use of the production safety measures fees does not satisfy the requirements of the Rudong Entrusted Construction Management Contract, the Employer has the right to not pay such fees.

(C) *Payment of survey and design fees*

(1) *Advance Payment*

The Employer shall pay the Contractor advance payment being ten per cent (10%) of the survey and design fees within 40 days after receipt and verification of the relevant invoices of the corresponding amount issued by the Contractor.

(2) *Progress Payment*

- (i) Commencement of survey work – ten per cent (10%) of the survey and design fees;
- (ii) Completion of survey work – ten per cent (10%) of the survey and design fees;
- (iii) After the submission of the final draft of the preliminary design – twenty per cent (20%) of the survey and design fees;

- (iv) After the submission of all the civil construction papers – ten per cent (10%) of the survey and design fees;
- (v) After the submission of all the installation and construction papers – ten per cent (10%) of the survey and design fees;
- (vi) After finishing all the testing and adjustment of the wind turbine generator systems – ten per cent (10%) of the survey and design fees;
- (vii) After the submission of the all the as-built drawings and the issue of the engineering acceptance certificate – seventeen per cent (17%) of the survey and design fees; and
- (viii) 12 months after the start of the warranty period of all the wind turbine generator systems after reaching certain technical and economic indicators set out in the design documents submitted by the Contractor, remaining amount after deducting the related fees in accordance with the relevant provisions in relation to quality assurance fees (i.e. three per cent (3%) of the survey and design fees) shall be paid.

The Contractor shall provide documents of proof of work progress to the Employer for each payment. The Employer shall pay the corresponding amount to the Contractor within 30 days after verification by the Employer of the relevant documents.

(D) Payment of other service fees

(1) Advance Payment

The Employer shall pay the Contractor advance payment being ten per cent (10%) of the other service fees within 40 days after receipt and verification of the relevant invoices provided by the Contractor.

(2) Progress Payment

In accordance with the unit price on the agreed price list (which forms part of the contract), eighty-seven per cent (87%) of the corresponding work fees shall be paid after completion of the corresponding work.

(3) Quality Assurance Fees

After the issue of warranty period termination certificate, the Contractor shall apply for the quality assurance fees amount to be returned to the Contractor (being three per cent (3%) of the other service fees).

(E) Payment of project management fees

(1) Advance Payment

The Employer shall pay the Contractor advance payment being ten per cent (10%) of the project management fees within 40 days after receipt and verification of the relevant invoices provided by the Contractor.

(2) Progress Payment

The Contractor shall provide the corresponding invoices which shall be paid in the same schedule and in the same proportion as the construction and installation engineering fees.

(3) Quality Assurance Fees

The Employer shall pay the quality assurance fees (being three per cent (3%) of the project management fees) within 40 days after the start of the warranty period, and upon the Contractor providing a warranty guarantee of the corresponding amount.

Construction commencement and expected completion date

- (1) Construction commencement date: after the Contractor has completed the construction preparation work, it shall submit a construction commencement report which shall be reviewed and approved by the supervising engineer and the Employer shall be informed of the construction commencement date at least 7 days in advance.
- (2) Expected completion date: 30 November 2021 for designed full capacity grid connection (excluding transmission).

Conditions precedent

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

Quality Assurance Period

5 years for wind turbine generators, 2 years for other equipment and 2 years for construction and installation engineering work, from the date of acceptance of construction work.

FINANCIAL EFFECTS OF THE RUDONG ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACT

As a result of entering into of the Rudong Entrusted Construction Management Contract, the fixed assets of the Group will be increased by approximately RMB1.9 billion (equivalent to approximately US\$283.3 million) and the liabilities of the Group will be increased by approximately RMB1.4 billion (equivalent to approximately US\$207.6 million). The overall effects of entering into of the Rudong Entrusted Construction Management Contract 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.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE RUDONG ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACT

In line with the Group's strategies to steadily develop its wind power business, the Rudong Offshore 300MW Wind Farm Project will be an important addition for growing the Group's operating capacity. The Rudong Offshore 300MW Wind Farm Project is located in the eastern coastal area of Jiangsu Province, which is rich in wind energy resources. This area is a key area for wind power development proposed in the "13th Five-Year Plan for Wind Power Development" (《風電發展「十三五」規劃》). The construction of the Rudong Offshore 300MW Wind Farm Project complies with the "13th Five-Year Plan for Wind Power Development" and meets the requirements of the development plan for the new energy industry in Jiangsu coastal areas. The operation of the Rudong Offshore 300MW Wind Farm Project can reduce annual standard coal consumption by about 296,000 tons, the emission of sulfur dioxide, nitrogen oxides and carbon dioxide, as well as the consumption of fresh water. It will have very significant environmental benefits and is conducive to the restructuring of local industries, and promoting local economic development. The Company and China Nuclear Power Engineering strive to work together to strengthen and enhance the Group's offshore wind power business.

Due to the complex construction technical requirements of the Rudong Offshore 300MW Wind Farm Project, the requirement for professional construction qualifications and construction experience in relation to similar projects, the Company selected China Nuclear Power Engineering as the Contractor for the construction work of the Rudong Offshore 300MW Wind Farm Project after carrying out relevant evaluation and considering various factors, including the technical experience, professional qualifications, business reputation and project management abilities.

China Nuclear Power Engineering has engaged in the construction of offshore wind power projects in Yangjiang, Daishan, Houhu, and Huizhou for the CGN Group, in which it has fully utilized its synergies in centralized project management, industry chain integration, and safety and quality control from its project-oriented management. China Nuclear Power Engineering has formed a professional team for general contracting in offshore wind power projects that are able to meet the requirements in terms of both quality and project schedule for the purpose of ensuring that the Rudong Offshore 300MW Wind Farm Project can be connected to the grid by 31 December 2021 so that the Company will be eligible to apply for subsidies in electricity charges and generate income from the Rudong Offshore 300MW Wind Farm Project.

All of the downstream subcontracts of the Rudong Entrusted Construction Management Contract will be obtained through public tender and the contract price for the Rudong Entrusted Construction Management Contract was determined by the parties after arm's length negotiation with reference to (i) the estimated public tender price of the downstream subcontracts; and (ii) the management fees charged by China Nuclear Power Engineering, in line with normal commercial terms and market price of similar projects. The management fees charged by China Nuclear Power Engineering was determined by the parties after arm's length negotiation and the rate charged is lower than the rate set out in the "Regulations and Cost Standards for the Preparation of Budgetary Estimates for Offshore Wind Farm Engineering Design" (《海上風電場工程設計概算編制規定及費用標準》), the industry standard in the PRC. As such the Company considers the contract price reasonable and fair.

The Company considers China Nuclear Power Engineering a proven contractor in design, engineering, procurement, construction and construction management which possesses the necessary professional qualifications and extensive experience in undertaking such work for CGN Nantong and is expected to be able to ensure the smooth implementation of the construction work. China Nuclear Power Engineering also has a long-term and good business relationship with the Group for over 5 years. The Rudong Entrusted Construction Management Contract was negotiated on arm's length basis and are on normal commercial terms or better.

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 terms of the Rudong Entrusted Construction Management Contract 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.

(II) Shengsi Entrusted Construction Management Contract

On 25 November 2020, (i) CGN Shengsi entered into the Shengsi Entrusted Construction Management Contract with China Nuclear Power Engineering as the Contractor, pursuant to which CGN Shengsi 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 Shengsi Offshore Wind Farm Project. The total consideration under the Shengsi Entrusted Construction Management Contract is approximately RMB2.3 billion (equivalent to approximately US\$345.2 million, inclusive of tax).

A summary of the principal terms of the Shengsi Entrusted Construction Management Contract is set out below:

Date	25 November 2020
Parties	(1) Employer: CGN Shengsi; and (2) Contractor: China Nuclear Power Engineering
Subject Matter	The Contractor shall be appointed as the contractor to undertake the survey and design, equipment and material procurement (including manufacturing supervision), construction and installation engineering, equipment testing and adjustment, quality inspection, warranty period maintenance, completion and construction management of the Shengsi Offshore Wind Farm Project. The Shengsi Offshore Wind Farm Project is located on the north of Xiaoyangshan in Shengsi County, Zhoushan City, Zhejiang Province (浙江省舟山市嵊泗縣小洋山北側), and in Daiqiyang Sea, east of Donghai Bridge (東海大橋東側岱衢洋海域), with a planned total installed capacity of 282MW.

Total consideration The total consideration payable to the Contractor under the Shengsi Entrusted Construction Management Contract shall be a fixed contract price of approximately RMB2.3 billion (equivalent to approximately US\$345.2 million) which comprises the followings:

- (1) Equipment procurement fees (inclusive of tax) of approximately RMB906,000,000;
- (2) Construction and installation engineering fees (inclusive of tax) of approximately RMB1,186,000,000;
- (3) Survey and design fees (inclusive of tax) of approximately RMB57,000,000;
- (4) Outsourcing fees (inclusive of tax) of approximately RMB3,000,000;
- (5) Project management fees (inclusive of tax) of approximately RMB29,000,000;
- (6) Risk premium (inclusive of tax) of approximately RMB125,000,000; and
- (7) Special incentive fees (*Note 1*) (inclusive of tax) of approximately RMB12,000,000.

Note 1:

The special incentive fees specified in the Shengsi Entrusted Construction Management Contract is tentative in terms of amount and will be determined and paid in accordance with construction progress. Such special incentive fees shall be specifically designated to incentivize the Contractor and downstream professional subcontractors to meet project deadlines and advance schedule. In the event that it is not used at all or there is still surplus after use, the corresponding remaining amount of the special incentive fees will not be included in the contract settlement amount.

After carrying out relevant evaluation and considering various factors, including the technical experience, professional qualifications, business reputation and project management capabilities, the Company selected China Nuclear Power Engineering as the Contractor for the construction work of the Shengsi Offshore Wind Farm Project.

Pricing basis

The total consideration was determined by the parties after arm's length negotiation with reference to (i) the estimated public tender price of the downstream subcontracts; (ii) the management fees charged by the Contractor; and (iii) special incentive fees for optimisation of design, project advancement and management improvement, subject to costs adjustment mechanism, in line with general commercial terms and market price of similar projects. The management fees charged by the Contractor was determined by the parties after arm's length negotiation and the rate charged is lower than the rate set out in the "Regulations and Cost Standards for the Preparation of Budgetary Estimates for Offshore Wind Farm Engineering Design" (《海上風電場工程設計概算編制規定及費用標準》), the industry standard in the PRC. The Board considers the total consideration to be fair and reasonable. The total consideration will be financed by equity of CGN Shengsi as to approximately 33% and debt financing from PRC banks as to approximately 67%.

Costs adjustment mechanism

Initial physical costs shall comprise the equipment procurement fees, construction and installation engineering fees, survey and design fees, and outsourcing fees, subject to changes in the costs of the 220kV submarine cables contracts and wind turbines contracts, if there is a change in the length of the submarine cables and the parameters or basic forms of the wind turbines.

In the event that the sum of the total amount of the initial physical costs and the risk premium exceeds the contract price as set out in the Shengsi Entrusted Construction Management Contract, the remaining balance shall be shared equally between the Contractor and the Employer. The Contractor's share shall be incorporated into and paid as the project management fees upon and in accordance with a change to the terms of the Shengsi Entrusted Construction Management Contract or a supplementary agreement thereof entered into.

In the event that the contract price as set out in the Shengsi Entrusted Construction Management Contract exceeds the initial physical costs, such exceeded amount shall be borne by the Contractor in the form of and up to the amount of the risk premium, and any remaining amount being borne by the Employer (in which case the contract price of the Shengsi Entrusted Construction Management Contract shall be capped at approximately RMB2.4 billion (equivalent to approximately US\$360.2 million)). The amount borne by each party shall be incorporated into and paid upon and in accordance with a change to the terms of the Shengsi Entrusted Construction Management Contract or a supplementary agreement thereof entered into.

**Payment terms
and schedule**

(A) Payment of equipment procurement fees

(1) Payment of the wind turbine generator systems

The wind turbine generator systems shall be paid directly by the Employer.

(2) Payment of the following equipment:

		Payment of Wind Power Towers	Payment of Submarine Cables	Payment of Other Equipment
(1)	Advance payment	The Employer shall pay the Contractor ten per cent (10%) of the total price of the wind power towers, being the advance payment, within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor ten per cent (10%) of the total price of the submarine cables, being the advance payment, within 40 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor ten per cent (10%) of the payment of the equipment other than the wind turbine generator systems, the wind power towers and submarine cables, being the advance payment, within 40 days after receipt and verification of the relevant invoices provided by the Contractor.
(2)	Raw materials payment	The Employer shall pay the Contractor forty per cent (40%) of the payment of wind power towers being the payment of raw materials within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor twenty per cent (20%) of the payment of submarine cables being the payment of raw materials within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	N/A
(3)	Arrival payment	The Employer shall pay the Contractor seventy per cent (70%) (inclusive of advance payment and raw materials payment) of the price of the batch of the arriving equipment being the arrival payment within 30 days after receipt and verification of the relevant invoices provided by the Contractor.		The Employer shall pay the Contractor seventy per cent (70%) of the price of the batch of the arriving equipment (inclusive of advance payment) being the arrival payment within 40 days after receipt and verification of the relevant invoices provided by the Contractor.

		Payment of Wind Power Towers	Payment of Submarine Cables	Payment of Other Equipment
(4)	Preliminary acceptance payment	The Employer shall pay the Contractor twenty per cent (20%) of the price of the batch of wind power towers being the preliminary acceptance payment within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor twenty per cent (20%) of the price of the batch of submarines cables being the preliminary acceptance payment within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay the Contractor twenty per cent (20%) of the price of corresponding equipment being the preliminary acceptance payment within 40 days after receipt and verification of the relevant invoices provided by the Contractor.
(5)	Quality Assurance Fees	The Employer shall pay ten per cent (10%) of the price of the corresponding wind power towers being the quality assurance fees within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay ten per cent (10%) of the price of the corresponding submarine cables being the quality assurance fees within 30 days after receipt and verification of the relevant invoices provided by the Contractor.	The Employer shall pay ten per cent (10%) of the price of the corresponding equipment being the quality assurance fees within 40 days after receipt and verification of the relevant invoices provided by the Contractor.

The Employer shall pay the quality assurance fees within 40 days after the start of the warranty period, and upon the Contractor providing a warranty guarantee of the corresponding amount.

(B) Payment of construction and installation engineering fees

(1) Advance Payment

The Employer shall pay the Contractor ten per cent (10%) of the construction and installation engineering fees, being the advance payment, within 40 days after receipt and verification of the invoices provided by the Contractor.

(2) *Raw Materials Payment*

The Employer shall pay the Contractor forty per cent (40%) of the contract price of the construction of steel pipe piles contract within 30 days after receipt and verification of the invoices provided by the Contractor.

(3) *Progress Payment*

The Contractor shall submit a progress payment application on a monthly basis. Upon the verification by the supervising engineer on the progress payment application, the Employer shall pay the progress payment within 40 days after receipt of the signed construction acceptance form issued by the supervising engineer and the corresponding tax invoice provided by the Contractor.

When the total amount of the progress payment reaches eighty-seven per cent (87%), excluding the amount of advance payment that would have been applied towards progress payment, the Employer shall stop making the progress payments, and upon the issuance of the engineering acceptance certificate and the completion settlement having been completed, the Employer shall pay the Contractor the remaining amount of the progress payment, save for the quality assurance fees.

(4) *Quality Assurance Fees*

The Employer shall pay the quality assurance fees (being three per cent (3%) of the construction and installation engineering fees) within 40 days after the start of the warranty period, and upon the Contractor providing a warranty guarantee of the corresponding amount.

(5) *Production Safety Measures Fees*

Thirty per cent (30%) of the total amount of the production safety measures fees shall be paid in the first month upon the commencement of the construction, the remaining amount shall be paid in the same schedule and in the the same proportion of the construction and installation engineering progress payment. The Contractor shall ensure that such fees is to be dedicated for such specified use. If the use of the production safety measures fees does not satisfy the requirements of the Shengsi Entrusted Construction Management Contract, the Employer has the right to not pay such fees.

(C) *Payment of survey and design fees*

(1) *Advance Payment*

The Employer shall pay the Contractor ten per cent (10%) of the survey and design fees, being the advance payment, within 40 days after receipt and verification of the invoices provided by the Contractor.

(2) *Progress Payment*

- (i) Commencement of survey work – ten per cent (10%) of the survey and design fees;
- (ii) Completion of survey work – ten per cent (10%) of the survey and design fees;
- (iii) After the submission of the final draft of the preliminary design – twenty per cent (20%) of the survey and design fees;

- (iv) After the submission of all the civil construction papers – ten per cent (10%) of the survey and design fees;
- (v) After the submission of all the installation and construction papers – ten per cent (10%) of the survey and design fees;
- (vi) After finishing all the testing and adjustment of the wind turbine generator systems – ten per cent (10%) of the survey and design fees;
- (vii) After the submission of the all the as-built drawings and the issue of the engineering acceptance certificate – seventeen per cent (17%) of the survey and design fees; and
- (viii) 12 months after the start of the warranty period of all the wind turbine generator systems after reaching certain technical and economic indicators set out in the design documents submitted by the Contractor, the remaining amount after deducting the fees in accordance with the relevant provisions in relation to quality assurance fees (three per cent (3%) of the survey and design fees) shall be paid.

The Contractor shall provide documents of proof of work progress to the Employer for each payment. The Employer shall pay the corresponding amount to the Contractor within 30 days after verification by the Employer of the relevant documents.

(D) Payment of outsourcing fees

The Employer shall pay the Contractor one hundred per cent (100%) of the outsourcing fees within 40 days after receipt and verification of the relevant documents and invoices issued by the Contractor.

(E) Payment of project management fees

(1) Advance Payment

The Employer shall pay the Contractor advance payment, being ten per cent (10%) of the project management fees (not inclusive of temporarily listed amount), within 40 days after receipt and verification of the relevant invoices provided by the Contractor.

(2) Progress Payment

The Contractor shall provide the corresponding invoices which shall be paid in the same schedule and in the same proportion as the construction and installation engineering fees.

(3) Quality Assurance Fees

The Employer shall pay the quality assurance fees (being three per cent (3%) of the project management fees) within 40 days after the start of the warranty period, and upon the Contractor providing a warranty guarantee of the corresponding amount.

(F) Payment of risk premium

Should there be remaining balance sharing of the risk premium, the Employer shall make a one-off full payment of the increased project management fees as a result thereof to the Contractor within 40 days upon receipt of the relevant invoices issued by the Contractor.

(G) Payment of special incentive fees

The Employer shall pay a one-off full payment of such fees to the Contractor within 40 days upon receipt of the relevant invoices issued by the Contractor.

Construction commencement and expected completion date

- (1) Construction commencement date: after the Contractor has completed the construction preparation work, it shall submit a construction commencement report which shall be reviewed and approved by the supervision engineer and the Employer shall be informed of the construction commencement date at least 7 days in advance.
- (2) Expected completion date: 30 August 2021 for designed full capacity grid connection (excluding transmission).

Conditions precedent

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

Quality Assurance Period

5 years for wind turbine generators, 2 years for other equipment and 2 years for construction and installation engineering work, from the date of acceptance of construction work.

FINANCIAL EFFECTS OF THE SHENGSİ ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACT

As a result of entering into of the Shengsi Entrusted Construction Management Contract, the fixed assets of the Group will be increased by approximately RMB2.1 billion (equivalent to approximately US\$313.2 million) and the liabilities of the Group will be increased by approximately RMB1.5 billion (equivalent to approximately US\$230.1 million). The overall effects of entering into of the Shengsi Entrusted Construction Management Contract on the future earnings of the Group will depend on the return to be generated from the operation of the Shengsi Offshore Wind Farm Project.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SHENGSİ ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACT

In line with the Group's strategies to steadily develop its wind power business, the Shengsi Offshore Wind Farm Project will be an important addition for growing the Group's operating capacity. The Shengsi Offshore Wind Farm Project will play a demonstrative and leading role for the construction of offshore wind farms in Zhejiang Province, as well as promoting the development of related local industries. The operation of the Shengsi Offshore Wind Farm Project can reduce annual standard coal consumption by about 255,800 tons and the emission of sulfur dioxide, nitrogen oxides and carbon dioxide. It will have very significant environmental benefits and is essential to increasing energy supply to address the issues of power shortage in the area. The Company and China Nuclear Power Engineering strive to work together to strengthen and enhance the Group's offshore wind power business.

Due to the complex construction technical requirements of the Shengsi Offshore Wind Farm Project, the high requirement for professional construction qualifications and construction performance experience in relation to similar projects, the Company selected China Nuclear Power Engineering as the Contractor for the construction work of the Shengsi Offshore Wind Farm Project after carrying out relevant evaluation and considering various factors, including the technical experience, professional qualifications, business reputation and project management abilities.

China Nuclear Power Engineering has engaged in the construction of offshore wind power projects in Yangjiang, Daishan, Houhu, and Huizhou for the CGN Group, in which it has fully utilized its synergies in centralized project management, industry chain integration, and safety and quality control from its project-oriented management. China Nuclear Power Engineering has formed a professional team for general contracting in offshore wind power projects that are able to meet the requirements in terms of both quality and project schedule for the purpose of ensuring that the Shengsi Offshore Wind Farm Project can be connected to the grid by 31 December 2021 so that the Company will be eligible to apply for subsidies in electricity charges and generate income from the Shengsi Offshore Wind Farm Project.

All of the downstream subcontracts of the Shengsi Entrusted Construction Management Contract will be obtained through public tender and the contract price for the Shengsi Entrusted Construction Management Contract was determined by the parties after arm's length negotiation with reference to (i) the estimated public tender price of the downstream subcontracts; (ii) the management fees charged by China Nuclear Power Engineering; and (iii) special incentive fees for optimisation of design, project advancement and management improvement, subject to costs adjustment mechanism, in line with normal commercial terms and market price of similar projects. The management fees charged by China Nuclear Power Engineering was determined by the parties after arm's length negotiation and the rate charged is lower than the rate set out in the "Regulations and Cost Standards for the Preparation of Budgetary Estimates for Offshore Wind Farm Engineering Design" (《海上風電場工程設計概算編制規定及費用標準》), the industry standard in the PRC. As such the Company considers the contract price reasonable and fair.

The Company considers China Nuclear Power Engineering is a proven contractor in design, engineering, procurement, construction and construction management which possesses the necessary professional qualifications and extensive experience in undertaking such work for CGN Shengsi and is expected to be able to ensure the smooth implementation of the construction work. China Nuclear Power Engineering also has a long-term and good business relationship with the Group for over 5 years. The Shengsi Entrusted Construction Management Contract was negotiated on arm's length basis and are on normal commercial terms or better.

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 terms of the Shengsi Entrusted Construction Management Contract 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.

INFORMATION ON THE RELEVANT PARTIES TO THE ENTRUSTED CONSTRUCTION MANAGEMENT CONTRACTS

The Company

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

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 60% by CGN New Energy Investment (Shenzhen) Company Limited* (中廣核新能源投資(深圳)有限公司), 20% by Jiangsu Guoke New Energy Company Limited* (江蘇國科新能源有限公司), 10% 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.

CGN Shengsi

CGN Shengsi is an indirectly wholly-owned subsidiary of the Company incorporated in the PRC. As at the date of this announcement, CGN Shengsi is owned as to approximately 68.06% by CGN New Energy Investment (Shenzhen) Company Limited* (中廣核新能源投資(深圳)有限公司) and approximately 31.94% by MPC New Energy Investment (HK) Company Limited, respectively. It is principally engaged in the development, construction, operation and maintenance of projects for generation of wind power and photovoltaic power and for wave power, as well as the technical consultation and services for the above respective projects.

* *for identification purpose only*

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, clean energy 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.

CGN

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 Director’s 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. It is principally engaged in the building, operation, management of nuclear power plants, selling of electricity generated by these nuclear power plants and research and development of nuclear power plants. Its shares are listed on both the Main Board of the Stock Exchange and the Small and Medium Enterprise Board of the Shenzhen Stock Exchange.

APPROVAL BY THE BOARD

None of the Directors has a material interest in the Entrusted Construction Management Contracts. As the Overlapping Directors are directors and/or senior management of certain members of the CGN Group, for the sake of good corporate governance, they have abstained from voting on the resolutions of the Board approving the Entrusted Construction Management Contracts.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGN is a controlling shareholder indirectly holding approximately 72.29% of the issued share capital of the Company. China Nuclear Power Engineering is a non-wholly-owned subsidiary of CGN and is therefore a connected person of the Company under the Listing Rules.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the transactions contemplated under the Rudong Entrusted Construction Management Contract and the Shengsi Entrusted Construction Management Contract are required to be aggregated since they are entered into by the Group with the same party, i.e. China Nuclear Power Engineering, on the same day and are of a similar nature. Since one or more of the applicable percentage ratios in relation to the total consideration payable to China Nuclear Power Engineering under the Entrusted Construction Management Contracts, on an aggregate basis, exceed 100%, the entering into of the Entrusted Construction Management Contracts constitutes very substantial acquisitions and connected transactions of the Company under Chapter 14 and Chapter 14A of the Listing Rules, respectively. The entering into of the Entrusted Construction Management Contracts is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules, respectively.

On 25 November 2020, the Company issued a notice to convene the Special General Meeting, among others, seeking approval from the Independent Shareholders on (i) the renewal of the Financial Services Framework Agreements and the Financial Services Annual Caps; and (ii) the renewal of the Operation and Management Services Framework Agreements and the Operation and Management Services Annual Caps (as defined therein). The Company intends to seek approval from the Independent Shareholders in the same Special General Meeting, among others, on (i) the entering into and the terms of the Rudong Entrusted Construction Management Contract; and (ii) the entering into and the terms of the Shengsi Entrusted Construction Management Contract. The Independent Board Committee has been established to consider the entering into and the terms of the Entrusted Construction Management Contracts, and to advise the Independent Shareholders as to whether the Entrusted Construction Management Contracts 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 Entrusted Construction Management Contracts; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the supplemental notice of the Special General Meeting, is expected to be despatched to the Shareholders on or before 8 December 2020.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Altus Capital Limited”	Altus Capital Limited, a licensed corporation 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 the Entrusted Construction Management Contracts
“Board”	the board of Directors of the Company
“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
“CGN Group”	CGN and its subsidiaries from time to time
“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 Small and Medium Enterprise Board of the Shenzhen Stock Exchange
“CGN Shengsi”	CGN (Shengsi) New Energy Co., Ltd.* (中廣核(崦泗)新能源有限公司), an indirectly wholly-owned subsidiary of the Company incorporated in the PRC
“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 and a non-wholly-owned subsidiary of CGN
“Company”	CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司), a 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(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Entrusted Construction Management Contracts”	collectively, the Rudong Entrusted Construction Management Contract and the Shengsi Entrusted Construction Management Contract
“Group”	the Company and its subsidiaries from time to time

“Hong Kong”	the 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)
“kV”	kilovolt
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	Megawatts
“Overlapping Directors”	Directors who are also directors and/or senior management of certain members of the CGN Group, namely Mr. Chen Sui, Mr. Li Yilun, Mr. Zhang Zhiwu and Mr. Xing Ping
“parties”	collectively, CGN Nantong, CGN Shengsi and China Nuclear Power Engineering
“percentage ratio(s)”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“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
“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)”	holder(s) of the Share(s)
“Shengsi Entrusted Construction Management Contract”	the contract in relation to the design, procurement and construction work and management of the Shengsi Offshore Wind Farm Project entered into on 25 November 2020
“Shengsi Offshore Wind Farm Project”	Shengsi Offshore Wind Farm Project that is to be designed, engineered, procured, constructed, installed, tested, commissioned, completed and rectified under the Shengsi Entrusted Construction Management Contract
“Special General Meeting”	the special general meeting of the Company to be held on 23 December 2020 to, among others, consider and, if thought fit, approve the Entrusted Construction Management Contracts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“US\$” United State dollars, the lawful currency of the United States of America

“%” per cent.

* *for identification purpose only*

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into US\$ is calculated at the approximate exchange rate of US\$1.00 to RMB6.7120. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

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

Hong Kong, 25 November 2020

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

Chairman and non-executive Director : *Mr. Chen Sui*

Executive Directors : *Mr. Li Yilun (President) and
Mr. Zhang Zhiwu*

Non-executive Director : *Mr. Xing Ping*

Independent non-executive Directors : *Mr. Wang Minhao,
Mr. Yang Xiaosheng and
Mr. Leung Chi Ching Frederick*