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GUANGDONG INVESTMENT LIMITED
(粵海投資有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0270)

CONTINUING CONNECTED TRANSACTION
ON THE SUPPLY OF ELECTRICITY

On 2 November 2017, Zhongshan Energy, a subsidiary of the Company, entered into the Electricity Transaction Agreement with Zhongyue Tinsplate, a wholly-owned subsidiary of Guangnan, pursuant to which and subject to the entering into of the Tripartite Agreement, Zhongshan Energy agreed to supply, and Zhongyue Tinsplate agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis for the period commencing on 1 January 2018 to 31 December 2018.

GDH is holding approximately 56.49% and 59.19% of the issued shares of the Company and Guangnan, respectively. By virtue of the above shareholding interests, Guangnan (being a subsidiary and thus an associate of GDH as defined in the Listing Rules) is a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

Based on the estimated revenue to be received by the Group under the Transaction, the Annual Cap for the financial year ending 31 December 2018 is set at RMB32,000,000 (equivalent to approximately HK\$37,590,400). Since the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Cap exceeds 0.1% but is less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the Transaction.

THE ELECTRICITY TRANSACTION AGREEMENT

On 2 November 2017, Zhongshan Energy, a subsidiary of the Company, entered into the Electricity Transaction Agreement with Zhongyue Tinplate, a wholly-owned subsidiary of Guangnan, pursuant to which and subject to the entering into of the Tripartite Agreement, Zhongshan Energy agreed to supply, and Zhongyue Tinplate agreed to purchase, electricity through the power grid operated by Guangdong Power Grid on a continuing basis on the following terms:-

Parties: Zhongshan Energy
Zhongyue Tinplate

Term: 1 January 2018 to 31 December 2018

Volume: Not exceeding 76,960,000 kWh and the amount of electricity transacted shall be the actual volume of electricity consumed by Zhongyue Tinplate

Unit price: Zhongshan Energy shall supply, and Zhongyue Tinplate shall purchase, electricity at a unit price which is calculated based on the government prescribed tariff at a discount rate of RMB0.06 per kWh (tax inclusive) determined after arm's length negotiation.

The government prescribed tariff on the sale of electricity is determined by the Development and Reform Commission of Guangdong Province, which is subject to adjustment from time to time. The discount rate of RMB0.06 per kWh (tax inclusive) is subject to adjustment at the end of the contract term with reference to the weighted average of the unified monthly centralized bidding price spread at the Guangdong Power Exchange Market (廣東電力交易市場) in the year 2018.

Payment terms: The fees for electricity payable by Zhongyue Tinplate shall be settled on a monthly basis and shall be paid to the Group subject to deduction of Power Grid Fee by Guangdong Power Grid. The revenue to be received by the Group under the Transaction shall therefore be subject to deduction of Power Grid Fee by Guangdong Power Grid.

Zhongshan Energy will source electricity from Zhongshan Power, which is also a subsidiary of the Company as well as a holding company of Zhongshan Energy and is principally engaged in the operation of power plants, and if necessary, also from other independent electricity suppliers. The Tripartite Agreement, being an agreement in a prescribed form by the PRC government to be entered into between Zhongshan Energy, Zhongyue Tinplate and Guangdong Power Grid, shall, among others, reflect the terms of the Electricity Transaction Agreement.

BASIS AND REASONS FOR THE TRANSACTION AND THE ANNUAL CAP

The Annual Cap for the revenue to be received by the Group under the Transaction for the period commencing on 1 January 2018 to 31 December 2018 is expected to be RMB32,000,000 (equivalent to approximately HK\$37,590,400).

The Annual Cap was determined after arm's length negotiation based on (i) electricity consumption of Zhongyue Tinplate; (ii) the amount of electricity to be transacted between Zhongyue Tinplate and Zhongshan Energy during the term of the Electricity Transaction Agreement; (iii) the estimated applicable unit price of electricity to be supplied under the Electricity Transaction Agreement; and (iv) the estimated amount of Power Grid Fee to be deducted by Guangdong Power Grid under the Transaction.

The Transaction will enable the Group to secure purchase of electricity from large consumption user, which will in turn help enhance our profitability. Further, the Transaction will enable Zhongshan Power to increase the utilization rate of its power plants, which will in turn maximize the plants' turnover and improve the plants' operating efficiency. The terms of the Transaction were negotiated on an arm's length basis between the parties.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Electricity Transaction Agreement was entered into, and the Tripartite Agreement will be entered into, in the ordinary and usual course of business of the Group and on normal commercial terms or better, and that the terms of the Transaction are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Mr. Huang Xiaofeng, Mr. Cai Yong, Mr. Zhang Hui, Ms. Zhao Chunxiao, Mr. Lan Runing and Mr. Li Wai Keung, Directors of the Company, are directors of GDH. All of the abovementioned Directors present at the board meeting of the Company were not counted in the quorum and they did not vote on the relevant Directors' resolutions approving, among others, the entering into of the Electricity Transaction Agreement, the Tripartite Agreement and the Annual Cap. Save as disclosed above, no other Directors have any material interest in the Transaction.

CONNECTED PERSONS

GDH is holding approximately 56.49% and 59.19% of the issued shares of the Company and Guangnan, respectively. By virtue of the above shareholding interests, Guangnan (being a subsidiary and thus an associate of GDH as defined in the Listing Rules) is a connected person of the Company. Therefore, the Transaction constitutes a continuing connected transaction of the Company under the Listing Rules.

LISTING RULES IMPLICATIONS

Based on the estimated revenue to be received by the Group under the Transaction, the Annual Cap for the financial year ending 31 December 2018 is set at RMB32,000,000 (equivalent to approximately HK\$37,590,400). Since the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Cap exceeds 0.1% but is less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

The Company will comply with the annual review requirements under Rules 14A.55 to 14A.57 of the Listing Rules in relation to the Transaction.

PRINCIPAL BUSINESSES OF THE COMPANY, THE CONNECTED PERSONS AND GUANGDONG POWER GRID

The Group is principally engaged in investment holding, water resources, property holding and investment, hotel ownership and operations, hotel management, department stores operation, and investments in other infrastructure projects.

The principal business of GDH is investment holding. The principal business of Zhongshan Power is power plant operation providing electricity and steam supply. The principal businesses of Zhongshan Energy are power supply and sale and supply of heat energy.

The principal business of Guangnan is investment holding. The subsidiaries of Guangnan are primarily engaged in manufacturing and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and food stuffs trading.

The principal business of Zhongyue Tinplate is engaged in the production and sale of tinplate products.

The principal business of Guangdong Power Grid is the construction and operation of power networks within the Guangdong Province (excluding Guangzhou and Shenzhen) in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Guangdong Power Grid and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

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

“Annual Cap”	has the meaning ascribed to it under the section headed “Basis and reasons for the Transaction and the Annual Cap” of this announcement;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Company”	Guangdong Investment Limited (粵海投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Electricity Transaction Agreement”	an agreement dated 2 November 2017 entered into between Zhongshan Energy and Zhongyue Tinplate in respect of the purchase of electricity by Zhongyue Tinplate from Zhongshan Energy;
“GDH”	GDH Limited (粵海控股集團有限公司), a company incorporated in Hong Kong with limited liability;
“Group”	the Company and its subsidiaries;
“Guangdong Power Grid”	廣東電網有限責任公司 (Guangdong Power Grid Company Limited*), a company incorporated under the laws of the PRC;
“Guangnan”	Guangnan (Holdings) Limited (廣南(集團)有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“kWh”	kilowatt hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Power Grid Fee”	the fee charged by Guangdong Power Grid for transmission and distribution of electricity services provided through the power grid operated by Guangdong Power Grid;
“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”	Reminbi, the lawful currency of the PRC;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transaction contemplated under the Electricity Transaction Agreement and the Tripartite Agreement;
“Tripartite Agreement”	an agreement to be entered into between Zhongshan Energy, Zhongyue Tinplate and Guangdong Power Grid in respect of the purchase of electricity by Zhongyue Tinplate from Zhongshan Energy through the power grid operated by Guangdong Power Grid;
“Zhongshan Energy”	中山粵海能源服務有限公司(Zhongshan Yuehai Energy Services Co., Ltd.*), a subsidiary of the Company established under the laws of the PRC and wholly owned by Zhongshan Power;
“Zhongshan Power”	中山火力發電有限公司(Zhongshan Thermal Power Co., Ltd.*), a subsidiary of the Company established under the laws of the PRC;
“Zhongyue Tinplate”	中山中粵馬口鐵工業有限公司(Zhongshan Zhongyue Tinplate Industrial Co., Ltd.*), a wholly-owned subsidiary of Guangnan established under the laws of the PRC; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.1747 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

** In this announcement, the English name of the PRC entity marked with an asterisk(*) is translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

By Order of the Board
TSANG Hon Nam
Director

Hong Kong, 2 November 2017

As at the date of this announcement, the board of Directors comprises four Executive Directors, namely, Mr. HUANG Xiaofeng, Mr. WEN Yinheng, Mrs. HO LAM Lai Ping, Theresa and Mr. TSANG Hon Nam; five Non-Executive Directors, namely, Mr. CAI Yong, Mr. ZHANG Hui, Ms. ZHAO Chunxiao, Mr. LAN Runing and Mr. LI Wai Keung; and five Independent Non-Executive Directors, namely, Dr. CHAN Cho Chak, John, Dr. the Honourable LI Kwok Po, David, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses and Mr. WU Ting Yuk, Anthony.