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GUANGDONG INVESTMENT LIMITED
(粤 海 投 资 有 限 公 司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0270)

CONTINUING CONNECTED TRANSACTIONS
ON THE SUPPLY OF ELECTRICITY

Reference is made to the announcement of the Company dated 2 November 2017 in relation to the continuing connected transaction on the supply of electricity. The Existing Electricity Transaction Agreement will expire on 31 December 2018. On 6 November 2018, Zhongshan Energy, a subsidiary of the Company, entered into the Zhongyue Tinplate Electricity Transaction Agreement with Zhongyue Tinplate, a wholly-owned subsidiary of Guangnan, for renewal of the Existing Electricity Transaction Agreement.

Save for the Zhongyue Tinplate Electricity Transaction Agreement, on 6 November 2018, Zhongshan Energy entered into the Nansha Water Electricity Transaction Agreement with Nansha Water, a company indirectly owned by the Company and Guangdong Holdings as to 49% and 11% respectively, pursuant to which Nansha Water has agreed to purchase electricity through the power grid operated by Guangzhou Power Supply on a continuing basis for the period commencing on 1 January 2019 to 31 December 2019.

Since Guangnan is directly owned by GDH (being the immediate controlling shareholder and therefore a connected person of the Company) as to approximately 59.19%, and, hence, an associate of GDH and therefore a connected person of the Company. Zhongyue Tinplate, a wholly owned subsidiary of Guangnan, is also a connected person of the Company. Nansha Water is indirectly owned by Guangdong Holdings (being the ultimate controlling shareholder and therefore a connected person of the Company) as to 11% and, hence, an associate of Guangdong Holdings and therefore a connected person of the Company. Therefore, each of the Transactions 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 Transactions, the Annual Cap under each of the New Electricity Transaction Agreements, individually and even when aggregated, exceeds 0.1% but is less than 5% of the applicable percentage ratio(s) for the purpose of Chapter 14A of the Listing Rules, the Transactions, individually and even when aggregated, are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirements 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 New Electricity Transaction Agreements.

ZHONGYUE TINPLATE ELECTRICITY TRANSACTION AGREEMENT

On 6 November 2018, Zhongshan Energy, a subsidiary of the Company, entered into the Zhongyue Tinplate Electricity Transaction Agreement with Zhongyue Tinplate, a wholly-owned subsidiary of Guangnan, pursuant to which Zhongshan Energy has 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 2019 to 31 December 2019

Volume: Not exceeding 76,260,000 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 with a discount rate of RMB0.05 per kWh (tax inclusive), which has been determined after arm's length negotiation.

The government prescribed tariff on the sale of electricity is determined by the Guangdong Provincial Development and Reform Commission, which is subject to adjustment from time to time. The discount rate of RMB0.05 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 2019.

Payment terms: The fees for electricity payable by Zhongyue Tinplate shall be settled with Guangdong Power Grid on a monthly basis, which shall in turn be payable by Guangdong Power Grid to the Group after deduction of the Power Grid Fee charged by Guangdong Power Grid. The amount to be received by the Group under the Zhongyue Tinplate Electricity Transaction Agreement shall therefore be the remainder of the said fees for electricity after deduction of the Power Grid Fee charged by Guangdong Power Grid.

NANSHA WATER ELECTRICITY TRANSACTION AGREEMENT

On 6 November 2018, Zhongshan Energy entered into the Nansha Water Electricity Transaction Agreement with Nansha Water, a company indirectly owned by the Company and Guangdong Holdings as to 49% and 11% respectively, pursuant to which Zhongshan Energy has agreed to supply, and Nansha Water agreed to purchase, electricity through the power grid operated by Guangzhou Power Supply on a continuing basis on the following terms:-

Parties: Zhongshan Energy
Nansha Water

Term: 1 January 2019 to 31 December 2019

Volume: Not exceeding 28,680,000 kWh and the amount of electricity transacted shall be the actual volume of electricity consumed by Nansha Water.

Unit price: Zhongshan Energy shall supply, and Nansha Water shall purchase, electricity at a unit price which is calculated based on the government prescribed tariff with a discount rate of RMB0.05 per kWh (tax inclusive), which has been determined after arm's length negotiation.

The government prescribed tariff on the sale of electricity is determined by the Guangdong Provincial Development and Reform Commission, which is subject to adjustment from time to time.

Payment terms: The fees for electricity payable by Nansha Water shall be settled with Guangzhou Power Supply on a monthly basis, which shall in turn be payable by Guangzhou Power Supply to the Group after deduction of the Power Grid Fee charged by Guangzhou Power Supply. The amount to be received by the Group under the Nansha Water Electricity Transaction Agreement shall therefore be the remainder of the said fees for electricity after deduction of the Power Grid Fee charged by Guangzhou Power Supply.

In respect of the Transactions, 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.

BASIS AND REASONS FOR THE TRANSACTIONS AND THE ANNUAL CAP

	Estimated Revenue (RMB)	Annual Cap (RMB)
Zhongyue Tinline Electricity Transaction Agreement	30,732,780	33,100,000
Nansha Water Electricity Transaction Agreement	11,558,040	12,500,000
Total	42,290,820	45,600,000

The respective Annual Cap for the revenue to be received by the Group under the Transactions, if aggregated, for the period commencing on 1 January 2019 to 31 December 2019 is expected to be RMB45,600,000 (equivalent to approximately HK\$51,368,400).

The respective Annual Cap was determined after arm's length negotiation based on, as the case may be, (i) the previous and contemplated electricity consumption of Zhongyue Tinline; (ii) the contemplated electricity consumption of Nansha Water; (iii) the estimated applicable unit price of electricity to be supplied under the New Electricity Transaction Agreements; and (iv) the estimated amount of the Power Grid Fee to be deducted by Guangdong Power Grid and Guangzhou Power Supply under the Transactions respectively.

The Transactions will enable the Group to secure purchase of electricity from large consumption users, which will in turn help enhance our profitability. Further, the Transactions 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 Transactions 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 New Electricity Transaction Agreements were 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 Transactions are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Mr. Huang Xiaofeng and Mr. Cai Yong are also directors of Guangdong Holdings and GDH. Mr. Zhang Hui, Ms. Zhao Chunxiao, Mr. Lan Runing and Mr. Li Wai Keung are also directors of GDH. All of the abovementioned Directors present at the board meeting of the Company were not counted in the quorum and did not vote on the relevant Directors' resolutions approving, among others, the entering into of the New Electricity Transaction Agreements and the respective Annual Cap. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, no other Directors have any material interest in the Transactions.

CONNECTED PERSONS

Since Guangnan is directly owned by GDH (being the immediate controlling shareholder and therefore a connected person of the Company) as to approximately 59.19%, and, hence, an associate of GDH and therefore a connected person of the Company. Zhongyue Tinplate, a wholly owned subsidiary of Guangnan, is also a connected person of the Company.

Guangdong Holdings is the ultimate controlling shareholder of the Company, which holds the entire issued share capital of GDH. GDH in turn holds approximately 56.49% of the issued shares of the Company as at the date of this announcement. Nansha Water is indirectly owned by Guangdong Holdings as to 11% and, hence, an associate of Guangdong Holdings and therefore a connected person of the Company. Therefore, each of the Transactions 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 Transactions, the respective Annual Cap under each of the New Electricity Transaction Agreements, individually and even when aggregated, exceeds 0.1% but is less than 5% of the applicable percentage ratio(s) for the purpose of Chapter 14A of the Listing Rules, the Transactions, individually and even when aggregated, are subject to the reporting and announcement requirements, but are exempt from the independent shareholders' approval requirements 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 New Electricity Transaction Agreements.

PRINCIPAL BUSINESSES OF THE COMPANY AND THE CONNECTED PERSONS

The Group is principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investments in energy projects and road and bridge operation.

Guangdong Holdings is principally engaged in investment holding.

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 the production and sales of tinplates and related products, leasing of properties, distribution and sales of fresh and live foodstuffs and food stuffs trading.

Zhongyue Tinplate is principally engaged in the production and sales of tinplate products and property leasing.

The principal business of Nansha Water is engaged in water distribution.

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 Transactions 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;

“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 Holdings”	廣東粵海控股集團有限公司 (Guangdong Holdings Limited*), a company established in the PRC and the ultimate holding company of the Company;
“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;
“Guangzhou Power Supply”	廣州供電局有限公司 (Guangzhou Power Supply Co. Ltd. *), a company incorporated under the laws of the PRC;
“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;
“Nansha Water”	廣州南沙粵海水務有限公司 (Guangzhou Nansha GDH Water Co., Ltd.*), a company indirectly owned by the Company and Guangdong Holdings as to 49% and 11% respectively;
“Nansha Water Electricity Transaction Agreement”	an agreement dated 6 November 2018 entered into between Zhongshan Energy and Nansha Water in respect of the purchase of electricity by Nansha Water from Zhongshan Energy;
“New Electricity Transaction Agreements”	Zhongyue Tinplate Electricity Transaction Agreement and Nansha Water Electricity Transaction Agreement;
“Existing 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;
“Power Grid Fee”	the fee, as the case may be, charged by Guangdong Power Grid and Guangzhou Power Supply for transmission and distribution of electricity services provided through the power grid operated by them;

“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;
“Transactions”	the transactions contemplated under the Zhongyue Tinplate Electricity Transaction Agreement and the Nansha Water Electricity Transaction Agreement;
“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;
“Zhongyue Tinplate Electricity Transaction Agreement”	an agreement dated 6 November 2018 entered into between Zhongshan Energy and Zhongyue Tinplate in respect of the purchase of electricity by Zhongyue Tinplate from Zhongshan Energy; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.1265 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, 6 November 2018

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.