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CGN Power Co., Ltd.*

中國廣核電力股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1816)

CONTINUING CONNECTED TRANSACTION AMENDMENT ON THE ANNUAL CAPS OF THE ELECTRICITY SUPPLY ARRANGEMENT UNDER THE JOINT VENTURE CONTRACT

In order to continue to increase sale of electricity to HKNIC, a wholly-owned subsidiary of a company listed on the Hong Kong Stock Exchange, CLP Holdings Limited (stock code: 00002), the Board considered and approved the resolution on the arrangement for the increased supply of electricity to HKNIC proposed to be entered into by GNPJVC with GNIC, Guangdong Power Grid and HKNIC, for a term of five years from 2024 to 2028 (the “**2023 Arrangement for the Increased Sales of Electricity**”) and the amended proposed annual caps of the continuing connected transactions contemplated under the Electricity Supply Arrangement under the Joint Venture Contract for the years ending December 31, 2024, 2025, 2026, 2027 and 2028.

References are made to: (1) the section headed “Connected Transactions — Continuing connected transactions — II. Continuing Connected Transactions which are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders’ approval requirement” in the prospectus of the Company, at which the details of the Electricity Supply Arrangement under the Joint Venture Contract have been disclosed; and (2) the announcement of the Company dated December 28, 2018 in relation to 2018 Arrangement for the Increased Sales of Electricity and amendment on the annual caps of the Electricity Supply Arrangement under the Joint Venture Contract for 2019 to 2023.

As at the date of this announcement, HKNIC holds 25% equity interest in GNPJVC, a subsidiary with 75% equity interest indirectly held by the Company, and is a substantial shareholder at the subsidiary level of the Company. HKNIC is a connected person at the subsidiary level of the Company under Rule 14A.07(1) of the Listing Rules. Therefore, the Electricity Supply Arrangement under the Joint Venture Contract, including the 2023 Arrangement for the Increased Sales of Electricity, constitutes the continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period, whereas in the circumstance, an independent financial consultant needs to be appointed to explain why it requires a longer period and whether it is in line with normal business practice in the industry. Given the strategic significance of electricity supply to HKNIC and the revenue contribution to our Group as a result of this long-term electricity supply transaction, the Directors (including the independent non-executive Directors) are of the view that the Joint Venture Contract (including its duration, which is in line with normal business practice and can ensure the stable electricity supply to HKNIC), the transactions contemplated therein, as well as the amended proposed annual caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

Upon the listing of the Company in 2014, the joint sponsors of the Company confirmed that the duration of such transactions under the Joint Venture Contract was in line with normal business practice, and the entering of this arrangement has no effect on such duration. The Directors confirm that there has been no material change in the normal business practice underlying the Electricity Supply Arrangement since the joint sponsors of the Company had given their view under Rule 14A.52 at the time of listing of the Company. The Company continues to comply with the requirements of Rule 14A.52 of the Listing Rules and therefore does not need to appoint an independent financial consultant in respect of the entering of the 2023 Arrangement for the Increased Sales of Electricity.

The Electricity Supply Arrangement under the Joint Venture Contract was entered into with a connected person at the subsidiary level during the ordinary and usual course of business on normal commercial terms, and the transactions thereunder had also been approved by the Directors. The independent non-executive Directors have confirmed that the transactions thereunder were entered into on normal commercial terms that were fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors neither have any conflicting interests in the Electricity Supply Arrangement under the Joint Venture Contract (including the 2023 Arrangement for the Increased Sales of Electricity), nor are required to abstain from voting on the resolution regarding the Electricity Supply Arrangement. Pursuant to Rule 14A.101 of the Listing Rules, the Electricity Supply Arrangement under the Joint Venture Contract will be exempted from the independent shareholders' approval requirement.

Introduction

In order to continue to increase sale of electricity to HKNIC, a wholly-owned subsidiary of a company listed on the Hong Kong Stock Exchange, CLP Holdings Limited (stock code: 00002), the Board considered and approved the resolution on the 2023 Arrangement for the Increased Sales of Electricity and the amended proposed annual caps of the continuing connected transactions contemplated under the Electricity Supply Arrangement under the Joint Venture Contract (as defined below) for the years ending December 31, 2024, 2025, 2026, 2027 and 2028.

As at the date of this announcement, HKNIC holds 25% equity interest in GNPJVC, a subsidiary with 75% equity interest indirectly held by the Company, and is a substantial shareholder at the subsidiary level of the Company. HKNIC is a connected person at the subsidiary level of the Company under Rule 14A.07(1) of the Listing Rules. Therefore, the Electricity Supply Arrangement under the Joint Venture Contract, including the 2023 Arrangement for the Increased Sales of Electricity, constitutes the continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Electricity Supply Arrangement under the Joint Venture Contract

References are made to: (1) the section headed “Connected Transactions — Continuing connected transactions — II. Continuing Connected Transactions which are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders’ approval requirement” in the prospectus of the Company, at which the details of the Electricity Supply Arrangement under the Joint Venture Contract have been disclosed; and (2) the announcement of the Company dated December 28, 2018 in relation to 2018 Arrangement for the Increased Sales of Electricity and amendment on the annual caps of the Electricity Supply Arrangement under the Joint Venture Contract for 2019 to 2023.

Background: GNIC and HKNIC entered into the Joint Venture Contract on January 18, 1985 and established GNPJVC, pursuant to which HKNIC agreed to purchase 25% (being its equity portion) of the electricity sent out by Daya Bay Nuclear Power Station, plus a further 45% of the electricity sent out by Daya Bay Nuclear Power Station (the “**Electricity Supply Arrangement under the Joint Venture Contract**”). The contract was signed with the support of the government, for the supply of economical and reliable electricity to Guangdong Province (through the sales with GNIC) and Hong Kong (through the sales with HKNIC). The initial term of this contract ended on May 6, 2014. With agreement reached among the contracting parties on September 29, 2009, and approval granted by relevant government authorities, the contract was extended to May 6, 2034.

On December 31, 2013, an agreement was reached among GNPJVC, GNIC and HKNIC to sell to HKNIC, approximately, an additional 10% of the annual electricity sent out by Daya Bay Nuclear Power Station from the fourth quarter of 2014 (only approximately an additional 1% in 2014) to 2018, for a valid term expiring at December 31, 2018. The Board had approved the Electricity Supply Arrangement under the Joint Venture Contract and the caps for the quantity of electricity of each year in 2014.

In December 2018, an arrangement was entered into by GNPJVC with GNIC, Guangdong Power Grid and HKNIC for the increased supply of electricity to HKNIC for a term of five years from 2019 to 2023 (the “**2018 Arrangement for the Increased Sales of Electricity**”), for a valid term expiring at December 31, 2023, in respect of which Daya Bay Nuclear Power Station would supply to HKNIC an additional 10% to 15% of its annual electricity for each year from 2019 to 2023.

In order to continue to increase sale of electricity to HKNIC, the Board considered and approved the 2023 Arrangement for the Increased Sales of Electricity entered into by GNPJVC with GNIC, Guangdong Power Grid and HKNIC, for a valid term expiring at December 31, 2028, in respect of which Daya Bay Nuclear Power Station will supply to HKNIC an additional 10% to 15% of its annual electricity for each year from 2024 to 2028.

Save for the 2023 Arrangement for the Increased Sales of Electricity as disclosed above, there is no other material change to the terms and conditions of the transactions contemplated under the Electricity Supply Arrangement under the Joint Venture Contract.

Reasons for the transactions

In connection with the sale of electricity from Daya Bay Nuclear Power Station to GNIC and HKNIC, the generation and selling of electricity from a nuclear power station is in the ordinary and usual course of business of our Group and the supply of electricity to GNIC and HKNIC is normal business arrangement in nature.

Tariff setting mechanism

The offtake charge is based on the power sold in accordance with the contract times the tariff that is negotiated on a fair basis by both parties. The factors for setting the tariff mainly include the following: (i) the load factor of Daya Bay Nuclear Power Station; (ii) the available market information, including the competitiveness of nuclear tariff in the electricity market, the environmental-friendliness of nuclear power generation by Daya Bay Nuclear Power Station, and the extent to which the Hong Kong market can afford electricity charges; (iii) the costs associated with the power generation, such as fuel costs, operation and maintenance expenses, spent fuel disposal expenses, decommissioning expenses, fixed asset depreciation charges, etc.; and (iv) changes in the exchange rates.

Historical amounts

The transaction amounts of the electricity supply to HKNIC for the three years ended December 31, 2020, 2021 and 2022 and the nine months ended September 30, 2023 were approximately RMB5,656 million, RMB5,390 million, RMB5,835 million and RMB5,150 million, respectively.

Amended proposed annual caps: Due to the uncertainty of the factors which affect the above tariff setting mechanism, it is uncertain to pre-determine the tariff rate for each year during the joint venture period, thus, based on the above tariff setting mechanism and the entering of the 2023 Arrangement for the Increased Sales of Electricity, the Company estimated that the maximum annual total revenue for the five years ending December 31, 2024, 2025, 2026, 2027 and 2028 shall not exceed the caps of RMB7,625 million, RMB8,331 million, RMB8,453 million, RMB8,532 million and RMB8,355 million, respectively.

Basis of caps: In determining the above annual caps, we have considered, among other factors, (i) the power generating capacity of Daya Bay Nuclear Power Station and the factors that may affect the electricity sent out by the nuclear power generating units of Daya Bay Nuclear Power Station, for instance, the planned arrangements for refuelling outages, equipment failure and deloading as required by power grid; (ii) the available market information, including the competitiveness of nuclear tariff in the electricity market, the environmental-friendliness of nuclear power generated by Daya Bay Nuclear Power Station, and the extent to which the Hong Kong market can afford electricity charges; (iii) the costs associated with the power generation, such as fuel costs, operation and maintenance expenses, spent fuel disposal expenses, decommissioning expenses, fixed asset depreciation charges, etc.; and (iv) the effect of changes in the exchange rates due to the fact that the transactions are denominated in U.S. dollars but disclosed in RMB.

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period, whereas in the circumstance, an independent financial consultant needs to be appointed to explain why it requires a longer period and whether it is in line with normal business practice in the industry. Given the strategic significance of electricity supply to HKNIC and the revenue contribution to our Group as a result of this long-term electricity supply transaction, the Directors (including the independent non-executive Directors) are of the view that the Joint Venture Contract (including its duration, which is in line with normal business practice and can ensure the stable electricity supply to HKNIC), the transactions contemplated therein, as well as the aforementioned amended proposed annual caps are on normal commercial terms, fair and reasonable so far as the independent Shareholders are concerned, and are in the interests of our Company and the Shareholders as a whole.

Upon the listing of the Company in 2014, the joint sponsors of the Company confirmed that the duration of such transactions under the Joint Venture Contract was in line with normal business practice, and the entering of this arrangement has no effect on such duration. The Directors confirm that there has been no material change in the normal business practice underlying the Electricity Supply Arrangement since the joint sponsors of the Company had given their view under Rule 14A.52 of the Listing Rules at the time of listing of the Company. The Company continues to comply with the requirements of Rule 14A.52 of the Listing Rules and therefore does not need to appoint an independent financial consultant in respect of the entering of the 2023 Arrangement for the Increased Sales of Electricity.

Reasons and Benefits for the Transactions

Having considered the long-term stable business relationship between the Group and HKNIC, the Directors (including the independent non-executive Directors) are of the opinion that the Electricity Supply Arrangement under the Joint Venture Contract (including the 2023 Arrangement for the Increased Sales of Electricity) and the amended proposed annual caps as set out above were entered during the ordinary and usual course of business of the Group on normal commercial terms which were fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Implications under the Listing Rules

The Electricity Supply Arrangement under the Joint Venture Contract was entered into with a connected person at the subsidiary level during the ordinary and usual course of business on normal commercial terms, and the transactions thereunder had also been approved by the Directors. The independent non-executive Directors have confirmed that the transactions thereunder were entered into on normal commercial terms that were fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors neither have any conflicting interests in the Electricity Supply Arrangement under the Joint Venture Contract (including the 2023 Arrangement for the Increased Sales of Electricity), nor are required to abstain from voting on the resolution regarding the Electricity Supply Arrangement. Pursuant to Rule 14A.101 of the Listing Rules, the Electricity Supply Arrangement under the Joint Venture Contract will be exempted from the Independent Shareholders' approval requirement.

Information on the Parties

The Group is primarily engaged in the construction, operation and management of nuclear power stations, sales of electricity generated by these stations and organization of the design development and scientific research for nuclear power stations.

GNPJVC is a subsidiary of the Company. Its principal business is engaging in the construction and operation business of Daya Bay Nuclear Power Station.

GNIC is a wholly-owned subsidiary of the Company. It is primarily engaged in the operation of goods, the import and export of technologies and participating in the construction of nuclear power stations.

HKNIC is a wholly-owned subsidiary of CLP Holdings Limited, which is a company listed on Hong Kong Stock Exchange (stock code: 00002). The CLP Group (CLP Holdings Limited and its subsidiaries) owns and operates a vertically integrated electricity business in Hong Kong, and invests in the power sector in Mainland China, India, Southeast Asia, Taiwan and Australia. HKNIC is primarily engaged in the investment and development of nuclear projects of Daya Bay.

Guangdong Power Grid is primarily engaged in the operation and management of power grids in Guangdong, power dispatch control and the operation and maintenance of the power grids.

Definitions

In this announcement, unless the context otherwise requires, the following terms shall have the meaning below:

“A Share(s)”	ordinary shares issued by the Company which are denominated in RMB with a par value of RMB1.00 each and listed in the Shenzhen Stock Exchange
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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 on September 29, 1994 and our Controlling Shareholder, and thus a connected person of the Company
“CGN Group”	collectively, CGN and its subsidiaries (unless specified otherwise, excluding the Group)
“Company” or “our Company”	CGN Power Co., Ltd.* (中國廣核電力股份有限公司), a joint stock company with limited liability incorporated under PRC law on March 25, 2014, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (1816.HK) and the A Shares of which are listed on the Shenzhen Stock Exchange (003816.SZ)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	individually or collectively, the Partially Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules, as of the date of this announcement, it refers to CGN
“Daya Bay Nuclear Power Station”	two nuclear power generating units at Daya Bay Base controlled by GNPJVC
“Director(s)”	the Directors of the Company
“GNIC”	Guangdong Nuclear Investment Co., Ltd.* (廣東核電投資有限公司), a wholly-owned subsidiary of the Company established in the PRC on August 8, 1983 and converted into a company with limited liability on 20 March 2014

“GNPJVC”	Guangdong Nuclear Power Joint Venture Co., Ltd.* (廣東核電合營有限公司), a limited company established in the PRC on January 26, 1985, and a non-wholly owned subsidiary of the Company, the equity interest of which is owned as to 75% and 25% by GNIC and HKNIC, respectively
“Group”, “our Group”, “we” or “us”	the Company and its subsidiaries
“Guangdong Power Grid”	Guangdong Power Grid Co., Ltd.* (廣東電網有限責任公司), a company established in the PRC on August 3, 2001 with limited liability
“H Share(s)”	ordinary shares with a par value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Hong Kong Stock Exchange, subscribed for and traded in Hong Kong dollars
“HKNIC”	Hong Kong Nuclear Investment Company Limited (香港核電投資有限公司), a limited liability company incorporated in Hong Kong in 1983 and a wholly-owned subsidiary of CLP Holdings Limited, a Hong Kong listed company with the stock code: 00002, which holds 25% equity interest in GNPJVC, a subsidiary of our Company, and thus a connected person at the subsidiary level of our Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	Shareholders other than CGN Group and its associates
“Joint Venture Contract”	the contract entered into by GNIC and HKNIC on January 18, 1985 in respect of the establishment of a joint venture, namely, GNPJVC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“load factor”	the ratio of the actual generating capacity of the units in a specified time period and the rated generating capacity in the same period, expressed as a percentage

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region
“RMB”	the lawful currency of the PRC
“Share(s)”	share(s) with nominal value of RMB1.00 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

By Order of the Board
CGN Power Co., Ltd.*

Yin Engang

Chief Financial Officer, Joint Company Secretary and Board Secretary

The PRC, December 20, 2023

As at the date of this announcement, the Board of the Company comprises Mr. Gao Ligang as an executive Director; Mr. Yang Changli, Ms. Li Li, Mr. Pang Songtao, Mr. Feng Jian and Mr. Liu Huanbing as non-executive Directors; Mr. Wong Ming Fung, Mr. Li Fuyou and Ms. Xu Hua as independent non-executive Directors.

* For identification purpose only