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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 Transactions

The Board announces that, on November 30, 2021, the Board considered and approved the resolutions in relation to the entering into the 2022-2024 General Services Framework Agreement, the 2022-2024 Technical Support and Maintenance Services Framework Agreement and the 2022-2024 Custodian Service Framework Agreement with CGN and the proposed annual caps of each agreement.

As at the date of this announcement, CGN held approximately 58.82% of the issued share capital of the Company and is the Controlling Shareholder of the Company. According to Rule 14A.07 of the Listing Rules, CGN and its associates are connected persons of the Company. Accordingly, the relevant transactions contemplated between our Group and CGN and/or its associates will constitute continuing connected transactions of the Company according to the requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14.07 of the Listing Rules, as one or more of the applicable percentage ratios calculated on the basis of the proposed annual caps under the 2022-2024 General Services Framework Agreement and the 2022-2024 Technical Support and Maintenance Services Framework Agreement exceed 0.1% but all of the applicable percentage ratios are less than 5% on an annual basis, the 2022-2024 General Services Framework Agreement and the 2022-2024 Technical Support and Maintenance Services Framework Agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempted from the circular (including advice from the independent financial adviser) and Independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

Pursuant to Rule 14.07 of the Listing Rules, as each of the percentage ratios calculated on the basis of the proposed annual caps under the 2022-2024 Custodian Service Framework Agreement is less than 0.1%, all such transactions are thus fully exempted from the requirements under Chapter 14A of the Listing Rules regarding reporting, announcement, annual review and Independent Shareholders' approval.

1. INTRODUCTION

The Board announces that, on November 30, 2021, the Board considered and approved the resolutions in relation to the entering into the 2022-2024 General Services Framework Agreement, the 2022-2024 Technical Support and Maintenance Services Framework Agreement and the 2022-2024 Custodian Service Framework Agreement with CGN and the proposed annual caps of each agreement.

As at the date of this announcement, CGN held approximately 58.82% of the issued share capital of the Company and is the Controlling Shareholder of the Company. According to Rule 14A.07 of the Listing Rules, CGN and its associates are connected persons of the Company. Accordingly, the relevant transactions contemplated between our Group and CGN and/or its associates will constitute continuing connected transactions of the Company according to the requirements under Chapter 14A of the Listing Rules.

2. 2022-2024 GENERAL SERVICES FRAMEWORK AGREEMENT

Background: The Company entered into the General Services Framework Agreement with CGN on November 21, 2014 and has further completed two renewals of the said agreement with an effective period ended on December 31, 2021. The Company entered into the 2022-2024 General Services Framework Agreement with CGN on November 30, 2021, pursuant to which (i) CGN Group will provide the following types of services to us, including catering services, property management services, transportation services, public procurement services, greening services, accommodation and meeting reception services, office support, electromechanical and water maintenance, logistic services, information technology services and other general services; and (ii) our Group will provide certain services to CGN Group, including property leasing services, services to dispose of administrative supplies and other general services.

The 2022-2024 General Services Framework Agreement will be valid and effective from January 1, 2022 to December 31, 2024. Separate contracts will be entered into between relevant entities of both parties, and the specific terms and conditions of which will be formulated pursuant to the principles provided in the 2022-2024 General Services Framework Agreement.

Reasons and benefits for the transactions: We have been procuring general services from CGN Group in the ordinary and usual course of business of our Group since its establishment. As all of our Group's nuclear power stations are located in remote areas and given the strict standards for operational safety and security in the industry, the Directors consider it would be in our Group's best interest to utilize the services provided by CGN Group. Such services provided by CGN Group are on terms no less favorable than those of Independent Third Party service providers and are accustomed to meeting the industry requirements of nuclear safety and security, where applicable to such general services. For instance, CGN has a subsidiary, CGN Services Group Co., Ltd. (中廣核服務集團有限公司), which is a comprehensive general services company specializing in provision of a variety of integrated and stable general services with nuclear industry standards. Given the quality and high standard of such services provided by CGN Group, it would be beneficial to us to continue to source such services from CGN Group.

We have also been providing certain general services to CGN Group in its ordinary and usual course of business. For instance, we have been providing campus recruitment services to CGN Group. It would be mutually beneficial for us and CGN Group to continue providing the aforementioned services to each other.

Pricing policy: The service fees for the general services provided by CGN Group to our Group are agreed and based on actual costs and expenses incurred in providing such services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) the standard pricing policy based on market or historical prices or rates obtained through recent or previous transactions; (ii) the workload and cost of materials, products, labour and logistics; and (iii) the market prices charged by Independent Third Party providers for services of a similar nature in the usual and ordinary course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

The service fees for the general services provided by our Group to CGN Group are agreed and based on actual costs and expenses incurred in providing such services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) the standard pricing policy based on market or historical prices or rates obtained through recent or previous transactions; (ii) the workload and cost of materials, products, labour and logistics; and (iii) the market prices charged by Independent Third Party providers for services of a similar nature in the usual and ordinary course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

In addition to the aforesaid pricing principles, the following guiding principles shall apply to the pricing of services contemplated under the 2022-2024 General Services Framework Agreement in the following order:

- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price;
- (2) Market price: the price of the same or similar products or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms; and
- (3) Agreed price: the price to be determined by adding a reasonable profit over a reasonable cost.

Historical amounts: The amounts of fees paid/payable to CGN Group for the general services received and recognised for the three years ended December 31, 2018, 2019 and 2020 and the amounts of fees received/receivable from CGN Group for the general services provided and recognized are set out below:

	Year Ended December 31, <i>(RMB million)</i>		
	2018	2019	2020
Total fees paid/payable to CGN Group by our Group on an actual basis	1,614.99	1,470.10	1,405.95
Total fees received/receivable from CGN Group by our Group on an actual basis	185.66	154.12	191.52

Proposed annual caps: The maximum aggregate annual amount of fees for the three years ending December 31, 2022, 2023 and 2024 shall not exceed the caps as set out in the table below:

	Existing Annual Cap <i>(RMB million)</i>	Proposed Annual Caps for the Year Ending December 31, <i>(RMB million)</i>		
	2021	2022	2023	2024
Total fees to be paid/payable to CGN Group by our Group	1,840.12	2,026.00	1,967.00	2,012.00
Total fees to be received/receivable from CGN Group by our Group	438.34	152.00	228.00	237.00

Basis of caps: In determining the above proposed annual caps for the total fees to be paid/payable to CGN Group for its provision of the general services to our Group, the Directors have considered, among other factors, (i) the historical transaction amounts for the provision of the general services by CGN Group; and (ii) the general services procured from CGN Group by our Group based on the business development of the Company, for example, catering, accommodation, transportation, greening and other general services procured by our Group from CGN Services Group Co., Ltd., a wholly-owned subsidiary of CGN, and its subsidiaries.

In quantifying the estimate of our Group's demand for general services for the three years ending December 31, 2024, the Directors have considered, among other factors: (a) the increase in the proposed annual caps for the year ending December 31, 2022 amounted to approximately RMB2,026 million from the existing annual caps for the year ended December 31, 2021 amounted to approximately RMB1,840 million, being the difference of approximately RMB186 million, mainly due to, among others, (i) an increase of approximately RMB405 million, resulting from the development of information and intelligence, and an increasingly higher significance of cyber security while the focus of our Group shifting to main duties and businesses that led to an increase in the information technological services procured by our Group; (ii) a decrease of approximately RMB46 million as the general services required were lower than estimated according to the construction progress of Lufeng Nuclear Project; and (iii) a decrease of approximately RMB172 million resulting from the general services required in the construction site decreased upon the business development of the two units of Taishan Nuclear Project; and (b) the small estimated change between the proposed annual caps for the year ending December 31, 2023 and 2024 as compared to those for the year ending December 31, 2022 according to the forthcoming business forecast.

In determining the above proposed annual caps for the total fees to be received/receivable from CGN Group for our Group's provision of general services to CGN Group, the Directors have considered, among others, (i) the historical transaction amounts received for the provision of general services to CGN Group; and (ii) the expected demand by CGN Group for general services in the upcoming years.

In quantifying the estimate of CGN Group's demand for general services for the three years ending December 31, 2024, the Directors have considered, among others: (a) a decrease from the existing annual cap for the year ending December 31, 2021 of approximately RMB438 million to the proposed annual cap for the year ending December 31, 2022 of approximately RMB152 million, representing a difference of approximately RMB286 million, which is mainly attributable to, among others, (i) decrease in the demand for, among others, the information technology services provided to CGN as our Group will focus more on its main business, which will lead to a decrease of approximately RMB237 million; and (ii) the actual amount decreased as compared to that estimated originally according to the business development; (b) an increase in the proposed annual cap from approximately RMB152 million for the year ending December 31, 2022 to approximately RMB228 million for the year ending December 31, 2023, representing a difference of approximately RMB76 million, is primarily attributable to, among others: (i) an increase of approximately RMB49 million resulted from leasing out part of the office premises of China Guangdong Nuclear Power Engineering Building (中廣核工程大廈) of China Nuclear Power Engineering Co., Ltd. (中廣核工程有限公司), a wholly-owned subsidiary of the Company, after completion of construction; and (ii) an increase in other general services provided by our Group by approximately RMB31 million in line with the growth of other businesses of CGN; and (c) the slight change in the proposed annual cap for the year ending December 31, 2024 as compared with the proposed annual cap for the year ending December 31, 2023 according to business forecast.

Directors' views: Taking into account the established business relationship and cooperation among the relevant subsidiaries of our Company and subsidiaries of CGN in respect of the general services, the Directors (including the independent non-executive Directors) are of the view that the 2022-2024 General Services Framework Agreement and the proposed annual caps set forth above are entered into and determined during our Group's ordinary and usual course of business on normal commercial terms, are 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.

Listing Rules implications: As one or more of the applicable percentage ratios calculated on the basis of the annual caps under the 2022-2024 General Services Framework Agreement exceed 0.1% but all of the applicable percentage ratios are less than 5% on an annual basis pursuant to Rule 14.07 of the Listing Rules, the 2022-2024 General Services Framework Agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempted from the circular (including advice from the independent financial adviser) and Independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

3. 2022-2024 TECHNICAL SUPPORT AND MAINTENANCE SERVICES FRAMEWORK AGREEMENT

Background: The Company entered into the Technical Support and Maintenance Services Framework Agreement with CGN on November 21, 2014 and has further completed two renewals of the said agreement with an effective period ended on December 31, 2021. The Company entered into the 2022-2024 Technical Support and Maintenance Services Framework Agreement with CGN on November 30, 2021, pursuant to which (i) CGN Group will provide certain types of technical support and maintenance services to our Group primarily including spare parts services, production training services, maintenance services, technical studies and expert support services and other technical services; and (ii) our Group will provide certain types of technical support and maintenance services to CGN Group, including spare parts services, production training services, maintenance services, operation preparation services, technical studies and expert support services and other technical services.

The 2022-2024 Technical Support and Maintenance Services Framework Agreement will be valid and effective from January 1, 2022 to December 31, 2024. Separate contracts will be entered into between relevant entities of both parties, and the specific terms and conditions of which will be formulated pursuant to the principles provided in the 2022-2024 Technical Support and Maintenance Services Framework Agreement.

Reasons and benefits for the transactions: Our Group has been procuring certain technical support and maintenance services provided by CGN Group, and vice versa, in the ordinary and usual course of business of our Group to build a nuclear power business chain and promote sustainable development. Our Group has carried out such transactions with CGN Group because: (i) subsidiaries of our Company and members of CGN have established business relationships since their respective establishments; (ii) the relevant service providers are experts in their respective fields, either possessing the requisite license for provision of such services and/or are equipped with experienced and skilled technicians to carry out the specialized work involved; (iii) the service recipient will benefit from economies of scale due to the concentration of professional technical support and maintenance services; (iv) for certain sophisticated technical support and maintenance services, the ongoing arrangements with CGN Group result in cost savings when compared with the procurement of similar support and services from foreign service providers; and (v) the services provided by us to CGN Group, and vice versa, have been on no less favorable terms, compared with the services provided to other third parties, taking into account the service quality, price, knowledge of each other's business needs and operational requirements, familiarity with each other's projects and value-added contributions that could be offered.

The technical support and maintenance services provided by CGN Group to our Group primarily include technical support and maintenance work on nuclear power stations and power generation equipment carried out by the subsidiaries of CGN, such as China Techenergy Co., Ltd. (北京廣利核系統工程有限公司). On the other hand, subsidiaries of our Group such as China Nuclear Power Operations Co., Ltd. (中廣核核電運營有限公司), China Nuclear Power Technology Research Institute Co. Ltd. (中廣核研究院有限公司) and Suzhou Nuclear Power Research Institute (蘇州熱工研究院有限公司) have been providing technical support and maintenance services to subsidiaries of CGN in respect of spare parts services, production training services, maintenance services, operation preparation services, technical studies and expert support services.

Pricing policy: The service fees are agreed and based on actual costs and expenses incurred in providing the relevant services on normal commercial terms after arm's length negotiations between the relevant parties, with reference to (i) a standard pricing policy based on market or historical prices obtained through recent or previous transactions; (ii) the workload and cost of materials, products and labour; and (iii) fees paid to Independent Third Parties for similar services in the ordinary and usual course of business, which shall be on terms no less favourable to those provided by Independent Third Parties.

In addition to the aforesaid pricing principles, the following guiding principles shall apply to the pricing of services contemplated under the 2022-2024 Technical Support and Maintenance Services Framework Agreement in the following order:

- (1) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular type of products or services, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price shall be agreed by reference to the government-guided price;
- (2) Market price: the price of the same or similar products or services provided by an Independent Third Party during the ordinary course of business on normal commercial terms; and
- (3) Agreed price: the price to be determined by adding a reasonable profit over a reasonable cost.

Historical amounts: The amounts of fees in respect of the technical support and maintenance services paid/payable to CGN Group and the amounts of technical support and maintenance services fees in respect of the technical support and maintenance services received/receivable from CGN Group for the three years ended December 31, 2018, 2019 and 2020 are set out below:

	Year Ended December 31,		
	<i>(RMB million)</i>		
	2018	2019	2020
Total fees paid/payable to CGN Group by our Group on an actual basis	570.45	491.22	700.59
Total fees received/receivable from CGN Group by our Group on an actual basis	64.66	101.73	94.44

Proposed annual caps: The maximum aggregate annual amount of fees for the three years ending December 31, 2022, 2023 and 2024 shall not exceed the caps as set out in the table below:

	Existing Annual Cap (RMB million)	Proposed Annual Caps for the Year Ending December 31, (RMB million)		
	2021	2022	2023	2024
Total fees to be paid/payable to CGN Group by our Group	1,065.08	2,362.00	2,373.00	2,303.00
Total fees to be received/receivable from CGN Group by our Group	144.69	181.00	168.00	186.00

Basis of caps: In determining the above proposed annual caps for the fees to be paid/payable to CGN Group for its provision of technical support and maintenance services to our Group, the Directors have considered, among other factors: (i) the historical transaction amounts for the provision of technical support and maintenance services by CGN Group; and (ii) the future business needs of the procurement of technical support and maintenance services from CGN Group by our Group.

In quantifying the estimate of our Group's demand for technical support and maintenance services for the three years ending December 31, 2024, the Directors have considered, among other factors: (a) the increase in the proposed annual cap from approximately RMB1,065 million for the year ending December 31, 2021 to approximately RMB2,362 million for the year ending December 31, 2022, representing a difference of approximately RMB1,297 million, is mainly attributable to, among other factors, (i) the amount will be increased by RMB1,008 million as the Company will receive more digitalized products and services in relation to the nuclear projects under the approval and construction progress of future nuclear projects; (ii) the amount will be increased by RMB132 million as the Company will receive more design-related technical services from Hualong International Nuclear Power Technology Co., Ltd. (華龍國際核電技術有限公司) under the approval and construction progress of future nuclear projects; and (iii) the amount will be increased by RMB73 million as the nuclear plants will receive more technical services in relation to outage and daily operation and maintenance in the result of units put into operation; and (b) the anticipated small change between the proposed annual caps for the years ending December 31, 2023 and 2024 and the proposed annual cap for the year ending December 31, 2022 under the future business anticipation.

In determining the above proposed annual caps for the fees to be received/receivable from CGN Group for our Group's provision of technical support and maintenance services to CGN Group, the Directors have considered, among other factors, (i) the historical transaction amounts received for the provision of technical support and maintenance services to CGN Group; and (ii) the expected demand by CGN Group for the technical support and maintenance services in the upcoming years.

In quantifying the estimate of our Group's demand for technical support and maintenance services for the three years ending December 31, 2024, the Directors have considered, among other factors: (a) the increase in the proposed annual caps for the year ending December 31, 2022 amounted to approximately RMB181 million from the existing annual caps for the year ended December 31, 2021 amounted to approximately RMB144 million, being the difference of approximately RMB37 million, mainly due to, among others, (i) the absence of provision of technology service as scheduled after the equity transfer of Shanghai China General Nuclear Power Engineering Co., Ltd. to CGN in 2019; (ii) an increase of approximately RMB29 million as the result of the increase in training services for staff related to production preparation for CGN Group by our Group according to the unit construction under development; and (iii) an increase of approximately RMB21 million as the result of the increase in technology services, including equipment inspection and check, procured by our Group along with the other business growth of CGN Group; and (b) the small estimated change between the proposed annual caps for the year ending December 31, 2023 and 2024 as compared to those for the year ending December 31, 2022 according to the forthcoming business forecast.

Directors' views: Taking into account (i) the established business relationship and cooperation among the relevant subsidiaries of our Company and members of CGN in respect of the technical support and maintenance services; (ii) the service quality, price, work efficiency, knowledge of, and familiarity with, each other's business needs, operational requirements as well as the nuclear technical knowledge and security requirements, and value-added contributions that could be offered, the Directors (including the independent non-executive Directors) are of the view that the 2022-2024 Technical Support and Maintenance Services Framework Agreement and the proposed annual caps set forth above are entered into and determined during our Group's ordinary and usual course of business on normal commercial terms, are 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.

Listing Rules implications: As one or more of the applicable percentage ratios calculated on the basis of the annual caps under the 2022-2024 Technical Support and Maintenance Services Framework Agreement exceed 0.1% but all of the applicable percentage ratios are less than 5% on an annual basis pursuant to Rule 14.07 of the Listing Rules, the 2022-2024 Technical Support and Maintenance Services Framework Agreement and the continuing connected transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempted from the circular (including advice from the independent financial adviser) and Independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

4. 2022-2024 CUSTODIAN SERVICE FRAMEWORK AGREEMENT

Background: Our Company entered into the custodian service framework agreement with CGN on April 28, 2014 and has further amended and supplemented the said agreement twice with an effective period ended on December 31, 2021. The Company entered into the 2022-2024 Custodian Service Framework Agreement with CGN on November 30, 2021, pursuant to which the Company will provide certain custodian services to CGN and exercise its rights or powers over the Custodian Target Companies, on behalf of CGN.

The 2022-2024 Custodian Service Framework Agreement will be valid and effective from January 1, 2022 to December 31, 2024.

Reasons and benefits for the transactions: Prior to the listing of the A shares of the Company, CGN (including the Custodian Target Companies) retained certain nuclear power related businesses, including nuclear power stations which were still at construction stage and had not commenced operation. In this regard, CGN has made a commitment to further avoid competition. In order to continue to fulfil the above commitment, CGN and the Group would be placed in a better position to continuously monitor the construction progress of those nuclear power stations involved in the custodian areas as well as their operation and management during the operation stage through the custodian services and the exercise of the rights and powers associated therewith as the Group has been granted rights such as the buyout options and the pre-emptive rights over the Custodian Target Companies.

Therefore, the Directors are of the view that the custodian arrangement would render the Group a sound opportunity to integrate the businesses of the custodian target companies and the Group, and facilitate a smooth transfer of CGN's equity interests in the custodian target companies to the Group when an appropriate opportunity arrives.

Pricing policy: The annual service fee received by our Company for provision of the custodian service shall comprise the expected costs and expenses incurred and take account into a reasonable margin, following arm's length negotiations between the Company and CGN.

Historical amounts: The amounts of custodian services fees in respect of the custodian services received/receivable from CGN Group for the three years ended December 31, 2018, 2019 and 2020 are set out below:

	Year Ended December 31, <i>(RMB million)</i>		
	2018	2019	2020
Total fees received/receivable from CGN by our Company on an actual basis	2.02	3.07	4.27

Proposed annual caps: The maximum aggregate annual amount of fees for the three years ending December 31, 2022, 2023 and 2024 shall not exceed the caps as set out below:

	Existing Annual Cap <i>(RMB million)</i>	Proposed Annual Caps for the Year Ending December 31, <i>(RMB million)</i>		
	2021	2022	2023	2024
Total fees to be received/receivable from CGN by our Company	15.00	15.00	15.00	15.00

Basis of caps: The above annual caps have been determined based on the expected costs and expenses in providing such custodian service plus 5% of the costs and expenses incurred as profit, following arm's length negotiations between our Company and CGN. For the avoidance of doubt, the Group does not have control over the custodian target companies based on an assessment of control in accordance with the Accounting Standards for Business Enterprises of the PRC No.33 – Consolidated Financial Statements, and therefore shall not consolidate the financial statements of the custodian target companies.

In determining the above proposed annual caps for the total fees to be received/receivable from CGN for our Company's provision of custodian services to CGN, the Directors have considered, among other factors, (i) the historical transaction amounts received for the provision of custodian services to CGN; and (ii) the expected demand by CGN for the custodian services in the upcoming years.

The Directors have considered, among other factors: the anticipated small change between the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 and the proposed annual cap for the year ending December 31, 2021 according to existing business.

Directors' views: Given the 2022-2024 Custodian Service Framework Agreement has been entered into in the ordinary and usual course of our business and on normal commercial terms, the Directors (including independent non-executive Directors) are of the view that the 2022-2024 Custodian Service Framework Agreement, the transactions contemplated therein and the proposed annual caps set forth above are 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.

Listing Rules implications: Pursuant to Rule 14.07 of the Listing Rules, the 2022-2024 Custodian Service Framework Agreement are fully exempted from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as each of the percentage ratios calculated on the basis of the proposed annual caps thereunder is less than 0.1%.

5. INTERNAL CONTROL MEASURES

Our Company has established a series of internal control measures, including formulating the "Management Rules on Connected Transactions of CGN Power Co., Ltd.", "Management Procedures on Connected Transactions of CGN Power Co., Ltd." and a connected transaction management system to standardize and stipulate the pricing policies and mechanisms, the assignment of responsibility and decision making authority to ensure the continuing connected transactions are conducted in accordance with their respective framework agreements, and that the pricing policies are strictly complied with. We will evaluate the continuing connected transactions on at least a quarterly basis.

In particular, for the purpose of the non-exempt continuing connected transactions (if applicable), applicable guiding principles and relevant internal control measures are as follows:

- (i) For the purpose of the principles of government price, our Group reviews the relevant government-prescribed price or government-guided price to ensure that the price of the Connected Transactions of CGN complies with the relevant government-prescribed price or government-guided price;
- (ii) For the purpose of the principles of market price, (a) for the purpose of purchasing the products or services of CGN Group, our Group reviews the terms provided by Independent Third Parties, and ensures that the principal terms provided by CGN Group are no less favourable to our Group than those provided by Independent Third Parties; and (b) for the purpose of providing products or services to CGN Group, our Group reviews the terms provided to Independent Third Parties, and ensures that the principal terms provided to CGN Group are no less favourable to our Group than those provided to Independent Third Parties;

- (iii) For the purpose of the principles of agreed price, if both the principles of the government price and market price do not apply, the price with CGN Group is determined by adding a reasonable profit over a reasonable cost, and our Group will ensure that the relevant profit is no less favourable to that provided by Independent Third Parties; and
- (iv) In accordance with the Listing Rules, (a) the external auditor of our Group will continue to report annually on the continuing connected transactions to confirm, among other matters, whether the continuing connected transactions were entered into in accordance with their respective framework agreements and, for the transactions involving the provision of goods or services by our Group, to confirm whether anything has come to our attention that causes us to believe the continuing connected transactions are not, in all material respects, in accordance with the pricing policies of our Group; and (b) the independent non-executive Directors will continue to review and report annually on whether the continuing connected transactions are, among other things, entered into in accordance with the respective framework agreements governing them and on terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

For the purpose of the 2022-2024 General Services Framework Agreement and the 2022-2024 Technical Support and Maintenance Services Framework Agreement, if the prices of relevant transactions are to be determined under the principle of the agreed price, the Group will track government standards in real time for any changes and the prices of services to be procured by the Group on the market regularly, to ensure such transactions are conducted on normal commercial conditions or more favourable terms, and will also strictly implement the Group's labor cost and travel policies, and conduct internal audits from time to time to ensure a reasonable level of profit.

In the event that the proposed annual caps under the 2022-2024 General Services Framework Agreement, the 2022-2024 Technical Support and Maintenance Services Framework Agreement and the 2022-2024 Custodian Service Framework Agreement are exceeded, renewed or materially varied, the Company will re-comply with the relevant requirements pursuant to Rules 14A.35 to 14A.47 of the Listing Rules.

6. INFORMATION ON THE PARTIES

Our Group

Our Group mainly constructs, operates and manages nuclear power stations, sells electricity generated by these stations, and organizes and develops the design and R&D of nuclear power stations.

CGN

Established on September 29, 1994, CGN is a large clean energy enterprise under supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGN Group is principally engaged in the generation and sale of power, and the construction, operation and management of nuclear projects and non-nuclear clean projects. As at the date of this announcement, CGN held approximately 58.82% of the issued share capital of our Company and is the Controlling Shareholder of our Company.

Board’s Approval

For this purpose, our Company convened a board meeting on November 30, 2021. The Directors who have a conflict of interests in the above Continuing Connected Transactions (including Mr. Yang Changli, Mr. Gao Ligang and Mr. Shi Bing) have abstained from voting in connection with the Continuing Connected Transactions. The Board had considered and approved the resolutions in relation to the Continuing Connected Transactions.

The Directors are of the view that the Continuing Connected Transactions (including the Proposed Annual Caps) and all related matters thereof are fair and reasonable, on normal commercial terms and in the interests of our Company and the Shareholders as a whole.

Opinion of the Independent Non-Executive Directors

Independent opinion of the independent non-executive Directors is as follows: the two agreements, namely the 2022-2024 General Services Framework Agreement and the 2022-2024 Technical Support and Maintenance Services Framework Agreement, entered into by the Company and CGN follow the principles of openness, fairness and impartiality, are necessary to the normal operation of the Company, and are beneficial to optimising allocation of the Company’s resources and the continuous development of the production and operation, which are in line with the interests of the Company and the Shareholders as a whole. The operation, management and performance ability of counterparty is in good condition, the respective amount of the annual caps amount is fair and reasonable, and the pricing of each of the transaction prices is fair, and these will not adversely affect financial conditions, results of operations, continuous operational ability and independence of the Company. There is no circumstance that will harm the interests of the Shareholders, especially the minority Shareholders. The 2022-2024 Custodian Service Framework Agreement entered into by the Company and CGN was conducted with necessity and reasonableness based on the interests of the listed company and the Shareholders as a whole, which was the substantive measure executed constantly by CGN, the Controlling Shareholder, regarding the commitment to avoiding peer competition and the annual cap amounts are fair and reasonable, and the pricing of the transaction price is fair and reasonable, is of the interests of the Company and the Shareholders as a whole without prejudice of the interests of the Company and the Shareholders as a whole, especially the minority Shareholders. Connected Directors, Mr. Yang Changli, Mr. Gao Ligang and Mr. Shi Bing, have abstained from voting in respect of these resolutions. Consideration procedures are in line with the relevant laws, regulations as well as the requirements under the Articles of Association of CGN Power Co., Ltd. Based on the foregoing, the independent non-executive Directors agree the entering into the 2022-2024 General Services Framework Agreement, the 2022-2024 Technical Support and Maintenance Services Framework Agreement and the 2022-2024 Custodian Service Framework Agreement between the Company and CGN.

DEFINITIONS:

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of our 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 promoter, and thus a connected person of our Company
“CGN Group”	Collectively, CGN and its subsidiaries (unless specified otherwise, excluding our 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 to it under the Listing Rules
“Continuing Connected Transactions”	individually or collectively, the partially exempt continuing connected transactions and the fully exempt continuing connected transactions
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules, as of the date of this announcement, it refers to CGN
“Director(s)”	the director(s) of our Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign shares in the share capital of the Company with the nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Independent Shareholder(s)”	shareholder(s) who do not have material interests in 2022-2024 General Services Framework Agreement, 2022-2024 Custodian Service Framework Agreement, 2022-2024 Technical Support and Maintenance Services Framework Agreement and transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) which are not connected with any Directors, supervisors, chief executive or substantial shareholders of our Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding 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)”	shares in the share capital of the Company, with the nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of Shares of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“2022-2024 General Services Framework Agreement”	the general services framework agreement entered into between the Company and CGN on November 30, 2021
“2022-2024 Custodian Service Framework Agreement”	the custodian service framework agreement entered into between the Company and CGN on November 30, 2021
“2022-2024 Technical Support and Maintenance Services Framework Agreement”	the technical support and maintenance services framework agreement entered into between the Company and CGN on November 30, 2021
“%”	per cent

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

Chief Financial Officer, Joint Company Secretary and Board Secretary

The PRC, November 30, 2021

As at the date of this announcement, the Board of the Company comprises Mr. Gao Ligang and Mr. Jiang Dajin as executive Directors; Mr. Yang Changli, Mr. Shi Bing, Mr. Wang Hongjun and Mr. Gu Jian as non-executive Directors; Mr. Li Fuyou, Mr. Yang Jiayi, Mr. Xia Ceming and Mr. Tang Chi Cheung as independent non-executive Directors.

* For identification purpose only