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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)

CONNECTED TRANSACTION

FORMATION OF JV COMPANY

The Board announces that on 1 February 2018, the bidding agency of Yangjiang City Bureau issued a notice of successful bidding in respect of the Yangjiang Water Project for the investment, construction, operation and maintenance of certain water pipe networks and ancillary facilities for discharge of waste water and rainwater in Yangjiang, Guangdong, the PRC. It was stated in the notice that the Private Parties were the successful bidder in the Yangjiang Water Project.

Under the bid, the Yangjiang Water Project will be implemented by a JV Company to be established by the Private Parties. The JV Company will be owned as to 48% by the Company, 51% by Guangdong Water Co and 1% by CFMG. The estimated total investment amount of the Yangjiang Water Project is approximately RMB820,000,000 (equivalent to approximately HK\$1,012,454,000).

Guangdong Water Co is an indirect wholly owned subsidiary, and hence an associate, of Guangdong Holdings, the Company's ultimate holding company. Guangdong Holdings indirectly holds approximately 56.49% of the issued shares of the Company as at the date of this announcement and is the controlling shareholder of the Company. Thus, Guangdong Holdings and Guangdong Water Co are connected persons of the Company and the Transaction constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Transaction exceed 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 1 February 2018, the bidding agency of Yangjiang City Bureau issued a notice of successful bidding in respect of the Yangjiang Water Project for the investment, construction, operation and maintenance of certain water pipe networks and ancillary facilities for discharge of waste water and rainwater in Yangjiang, Guangdong, the PRC. It was stated in the notice that the Private Parties were the successful bidder in the Yangjiang Water Project.

The Private Parties and Yangjiang City Bureau will subsequently enter into the Project Agreements in relation to the Yangjiang Water Project and the Private Parties will enter into the JV Agreement and related articles of association in relation to establishment of the JV Company for implementation of the Yangjiang Water Project.

JV COMPANY

The JV Company will be established by the following Private Parties:-

- (1) the Company;
- (2) Guangdong Water Co; and
- (3) CFMG.

The Company understands that CFMG is a limited liability company established in the PRC and is principally engaged in construction, technology research and design of construction work. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CFMG and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Business Scope

The JV Company will be established for the investment, construction, operation and maintenance of the water pipe networks and ancillary facilities under the Yangjiang Water Project and shall operate for a term of 16 years commencing from the date of issuance of its business license.

Registered Capital

The registered capital of the JV Company shall be RMB273,333,400 (equivalent to approximately HK\$337,484,749). The Company, Guangdong Water Co and CFMG will contribute to the registered capital of RMB131,200,032 (equivalent to approximately HK\$161,992,680), RMB139,400,034 (equivalent to approximately HK\$172,117,222) and RMB2,733,334 (equivalent to approximately HK\$3,374,847) in cash, 20% of which within three months of the date of issuance of its business license and the remaining amounts to be contributed in batches within three years in accordance with the construction progress, representing 48%, 51% and 1% equity interests in the JV Company, respectively. The investment by the Company to the JV Company will be funded by the Company's internal resources.

The estimated total investment amount of the Yangjiang Water Project is approximately RMB820,000,000 (equivalent to approximately HK\$1,012,454,000), of which the registered capital of the JV Company forms part, and shall be wholly borne by the Private Parties. The respective contributions to the registered capital of the JV Company are determined after arm's length negotiations between the Private Parties with reference to the capital requirements of the Yangjiang Water Project and the respective equity interests in the JV Company.

The portion of investment in the Yangjiang Water Project in excess of the registered capital of the JV Company shall be resolved by the JV Company by way of loans from banks, shareholders, or other financing methods.

Directors and Supervisor of the JV Company

The board of directors of the JV Company will comprise three directors, one of whom will be nominated by the Company and two will be nominated by Guangdong Water Co (one of which will be the chairman of board of directors of the JV Company). The JV Company will also have one supervisor who will be nominated by Guangdong Water Co.

Transfer Restrictions

Any Private Party who proposes to transfer its equity interest in the JV Company, whether in whole or in part, to a third party, shall obtain prior consents from all other Private Parties and each of the other Private Parties shall have the first priority to elect to purchase the subject equity interest.

The Private Parties shall not transfer their equity interests in the JV Company unless written approval of the PRC government authority and consent from Yangjiang City Bureau have been obtained.

Notwithstanding the above restrictions, each of the Private Parties shall be entitled to transfer its respective equity interests in JV Company to its holding company or companies controlled by its holding company, in each case subject to prior written consent from Yangjiang City Bureau.

Profit Distribution

The profits of the JV Company shall be distributed in proportion to the percentage of actual contributions to the registered capital by each of the equity holders subject to extraction to statutory reserve.

THE YANGJIANG WATER PROJECT

The Yangjiang Water Project is for the investment, construction, operation and maintenance of certain water pipe networks and ancillary facilities for discharge of waste water and rainwater in five areas, namely, Chengdong, Chengbei, Laochengqu, Mayan and Chengxi, in Yangjiang, Guangdong, the PRC. The Yangjiang Water Project

aims to improve the infrastructure for separation of flow of waste water and rainwater and sewage interception.

The Yangjiang Water Project will be operated in Build-Operate-Transfer (commonly known as “BOT”) model and will have a concessionary period of 15 years, comprising a construction period of three years and an operation period of 12 years. Upon expiry of the concessionary period or earlier termination of the Project Agreements, assets and facilities under the Yangjiang Water Project shall be transferred to Yangjiang City Bureau or entity designated by it.

Pursuant to the bidding documents for public auction of the Yangjiang Water Project, the Project Agreements will become effective subject to approval by applicable regulatory authorities and the Yangjiang Water Project being listed on the PPP Project List. The Private Parties shall be entitled to terminate the Project Agreements if the Yangjiang Water Project is not listed on the PPP Project List within the stipulated period of time.

Obligations of Yangjiang City Bureau

It is expected that pursuant to the Project Agreements, Yangjiang City Bureau shall, among other things, provide to the Private Parties resolutions of the Yangjiang National People’s Congress approving the inclusion of the service fees of the Yangjiang Water Project (including the usable fee and operating performance service fee) to the local annual financial budget and to the mid-to-long term financial plan within ten days after the date of meeting of the Yangjiang National People’s Congress. Yangjiang City Bureau shall also be responsible for assessments and payments of usable fee and operating performance service fee to the JV Company.

Obligations of the Private Parties and the JV Company

It is expected that pursuant to the Project Agreements, the Private Parties shall, among other things, obtain the licenses and approvals relevant to performance of the Yangjiang Water Project. In particular, CFMG shall be responsible for construction of the water pipe networks and ancillary facilities and custom procedures for import of materials and machineries for the construction works.

It is expected that pursuant to the Project Agreements, the JV Company shall, among other things, provide letters of guarantee issued by financial institution(s) recognized by Yangjiang City Bureau in relation to performance of its construction, operation, maintenance, transfer and repair obligations under the Yangjiang Water Project in the amount of RMB45,000,000 (equivalent to approximately HK\$55,561,500) to Yangjiang City Bureau.

REASONS FOR THE TRANSACTION AND BENEFITS TO THE COMPANY

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

Guangdong Holdings is principally engaged in investment holding. The Board understands that Guangdong Water Co has been engaging in investment in and operation of water processing plants and has extensive connections in the water processing industry in the Guangdong, the PRC.

Yangjiang City Bureau is a working bureau in the PRC under the People's Government of Yangjiang (陽江市人民政府) and is responsible for the construction, maintenance and management of municipal facilities such as roads, bridges, lighting systems, drainage systems and environment hygiene. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Yangjiang City Bureau is a third party independent of the Company and its connected persons.

As the Yangjiang Water Project is the Group's first sizable investment, construction and operation projects in pipe networks for discharge of waste water and rainwater, the participation would enable the Group to acquire relevant experience for future similar projects. Further, the Board is of the view that the Yangjiang Water Project is in line with the Group's strategic plan to expand its market share in the water market in Guangdong and it represents an important strategic entry by the Group into the western part of Guangdong, thus increasing the market influence and brand awareness of the Group in water related projects in such areas.

Taking into account of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Transaction was entered into in the ordinary and usual course of business of the Group.

Mr. HUANG Xiaofeng and Mr. CAI Yong are also directors of Guangdong Holdings. The abovenamed Directors present at the relevant Board meeting approving the Yangjiang Water Project and the Transaction were not counted in the quorum and did not vote on the relevant Directors' resolution. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Directors had any material interest in the Yangjiang Water Project and the Transaction and as such they were not required to abstain from voting on the board resolutions approving the entering into of the Project Agreements, JV Agreement and the Transaction.

LISTING RULES IMPLICATIONS

Guangdong Water Co is an indirect wholly owned subsidiary, and hence an associate, of Guangdong Holdings, the Company's ultimate holding company. Guangdong Holdings indirectly holds approximately 56.49% of the issued shares of the Company as at the date of this announcement and is the controlling shareholder of the Company. Thus, Guangdong Holdings and Guangdong Water Co are connected persons of the Company and the Transaction constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Transaction exceed 0.1% but less than 5%, the

Transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“CFMG”	China First Metallurgical Group Co., Ltd. (中國一冶集團有限公司), a limited liability company established in the PRC;
“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;
“Director(s)”	the director(s) of the Company;
“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 Water Co”	廣東粵海水務股份有限公司 (Guangdong Yue Hai Water Holdings Limited*), a company established in the PRC;
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“JV Agreement”	the agreement to be entered into between the Private Parties for the establishment of the JV Company;
“JV Company”	the limited liability company to be established by the Private Parties in the PRC pursuant to the JV Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;

“PPP Project List”	the integrated information platform list of public- private-partnership projects maintained by the Ministry of Finance of the PRC;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Private Party(ies)”	the Company, Guangdong Water Co and CFMG;
“Project Agreements”	the investment agreement and the PPP project agreement to be entered into between the Private Parties and Yangjiang City Bureau which govern their respective rights and obligations in respect of the Yangjiang Water Project;
“RMB”	Reminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transactions in relation to the establishment of JV Company by the Private Parties as contemplated under the Project Agreements and the JV Agreement
“Yangjiang City Bureau”	Yangjiang City Comprehensive Management Bureau* (陽江市城市綜合管理局);
“Yangjiang Water Project”	the public-private-partnership project for the investment, construction, operation and maintenance of certain water pipe networks and ancillary facilities for discharge of waste water and rainwater in five areas, namely, Chengdong, Chengbei, Laochengqu, Mayan and Chengxi, in Yangjiang, Guangdong, the PRC; and
“%”	per cent.

* *The English translation of the Chinese name of the relevant company included in this announcement is prepared by the Company for reference only, and such translation may not be accurate and such company may not have an official English translation/version of its Chinese name.*

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00=HK\$1.2347 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.

By Order of the Board
HUANG Xiaofeng
Chairman

Hong Kong, 1 February 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.