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

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 00270)**

**PPP PROJECT**  
**CONNECTED TRANSACTION**  
**CONTINUING CONNECTED TRANSACTION**

The Board is pleased to announce that on 18 May 2019, Public Partner issued a bid-winning notice in respect of the PPP Project. It was stated in the notice that the Company, Guangdong Water Co, Jiangsu Chunghe Yongtai and CFMG were the successful bidder in the PPP Project of Yangtze River water diversion project in Xinghua, Jiangsu, the PRC. On 20 May 2019, the Private Partners and Public Partner entered into the PPP Contract in relation to the PPP Project. On the same day, the Private Partners and Xinghua City Investment entered into the JV Agreement and articles of association in relation to establishment of the JV Company for implementation of the PPP Project.

According to PPP Contract, the estimated total investment amount of the PPP Project (including registered capital of the JV Company) is approximately RMB2,759,789,000 (equivalent to approximately HK\$3,217,086,037), subject to the final sum as audited by the government audit department. According to JV Agreement and articles of association, the registered capital shall be approximately RMB689,947,300 (equivalent to approximately HK\$804,271,568). The Company, Guangdong Water Co, Jiangsu Chunghe Yongtai, CFMG and Xinghua City Investment will contribute to the registered capital as to RMB317,375,900 (equivalent to approximately HK\$369,965,087), RMB100,042,300 (equivalent to approximately HK\$116,619,309), RMB20,698,400 (equivalent to approximately HK\$24,128,125), RMB20,698,400 (equivalent to approximately HK\$24,128,125) and RMB 231,132,300 (equivalent to approximately HK\$269,430,922) in cash, representing 46%, 14.5%, 3%, 3% and 33.5% equity interests in the JV Company, respectively.

According to the relevant law, the Private Partners signed a consortium agreement on 7 January 2019, according to which, each of the Private Partners will be jointly and severally liable for the PPP Project. As such, each of the Company and Guangdong

Water Co is contingently liable for the other's liability, constituting the Company's financial assistance to Guangdong Water Co. After deducting the registered capital of approximately RMB231,132,300 (equivalent to approximately HK\$269,430,922) injected by Xinghua City Investment into the JV Company, the Company is likely to invest a maximum of approximately RMB2,528,656,700 (equivalent to approximately HK\$2,947,655,115) in relation to the PPP Project, inter alia, the Company shall be liable in respect of the obligation of Guangdong Water Co in the maximum amount of RMB400,169,405 (being 14.5% of the total investment of Guangdong Water Co in the PPP Project, equivalent to approximately HK\$466,477,475).

The Private Partners also signed a supplemental consortium agreement on 6 May 2019, pursuant to which, each of the Private Partners will inject the registered capital in the proportion of their equity interests at the same time whilst the Company and Guangdong Water Co shall be liable for not more than the balance of the total investment of the PPP Project in the relative proportion of their respective equity interests. It entails that the Company and Guangdong Water Co shall only undertake not more than the project financing and/or guarantee liability of the PPP Project. Accordingly, taking into account the proportionate registered capital contributed by Jingsu Chunghe Yongtai and CFMG, and Guangdong Water Co shall be responsible for its proportionate registered as well as assuming the responsibility for the project financing and/or joint guarantees other than the registered capital, the Company is likely to invest a maximum of RMB1,891,139,837 (equivalent to approximately HK\$2,204,501,708).

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, therefore, a controlling shareholder of the Company. Thus, Guangdong Holdings and Guangdong Water Co are connected persons of the Company. Each of the Transaction and the Financial Assistance constitute a connected transaction and a continuing connected transaction of the Company respectively under the Listing Rules. As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of each of the Transaction and the Financial Assistance exceed 0.1% but are less than 5%, the Transaction and the Financial Assistance are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 10 May 2019, which disclosed that Public Partner issued a preliminary bid-winning notice. The notice stipulated that the Private Partners are the preliminary winning bidders for the bid of the PPP Project.

On 18 May 2019, Xinghua City Bureau issued a bid-winning notice in respect of the PPP Project. It was stated in the notice that the Private Partners were the winning bidder

in the PPP Project.

The Board is pleased to announce that on 20 May 2019, the Private Partners and Public Partner entered into the PPP Contract in relation to the PPP Project. On the same day, the Private Partners and Xinghua City Investment entered into the JV Contract and articles of association in relation to establishment of the JV Company for implementation of the PPP Project (the “Transaction”).

The JV Company and Xinghua Water Plan and /or the Xinghua City Water Supply (proposed to be established) will subsequently enter into an entrusted operation management agreement to be responsible for the entrusted operation and handover of the Operation Project.

## **PPP CONTRACT**

The PPP Contract governs the corporative joint venture of the PPP Project, the financing, construction, operation, maintenance and transfer of the water diversion project as well as the entrusted management of the operation projects.

**PPP Project contractual parties**

- (1) the Company;
- (2) Guangdong Water Co;
- (3) Jiangsu Chunghe Yongtai;
- (4) CFMG; and
- (5) Xinghua City Investment.

**PPP Project** The PPP Project comprised the water diversion project and the operation project. Pursuant to the bidding documents of the PPP Project, the PPP Project is listed on the PPP Project List.

**Water Diversion Project** The Yangtze River water diversion project in Xinghua is a new project with design and construction scale of approximately 430,000 tons per day. The water diversion project mainly comprises the construction of approximately 174 km of water pipelines, 62 km of water mains and two Xinghua booster pump stations (approximately 510,000 tons/day in total). The JV Company will use the Build-Operate-Transfer (commonly known as the “BOT”) model to operate the water diversion project.

**Operation Project** The Xinghua City Operation Project is an existing project for the operation, maintenance, management of the existing water plant including the provision of water to Xinghua City. The JV Company will use the Operate and Management (commonly known as “O&M”) model to operate the operation project

**Cooperation period of the PPP Project** The cooperation period of the project is 30 years, comprising a construction period of 2 years and an operation period of 28 years.

**Transfer of the PPP Project** Upon expiry of the project cooperation period, income rights and operation rights of operation project, and the entrusted operation management rights of the operation project shall be transferred to the government or its designated institution without compensation.

**Total Investment of the PPP Project** The estimated total investment amount of the PPP Project is approximately RMB2,759,789,000 (equivalent to approximately HK\$3,217,086,037) and will be subject to the final audit of the project by the auditing department of the Government.

**Finance of the PPP Project** The private partners shall be responsible for the portion of investment in the PPP Project in excess of the registered capital of the JV Company.

According to the relevant law, the Private Partners signed a consortium agreement on 7 January 2019, according to which, each of the Private Partners will be jointly and severally liable for the PPP Project. As such, each of the Company and Guangdong Water Co is continually liable for the other's liability, constituting the Company's financial assistance to Guangdong Water Co. After deducting the registered capital of approximately RMB231,132,300 (equivalent to approximately HK\$269,430,922) injected by Xinghua City Investment into the JV Company, the Company is likely to invest a maximum of approximately RMB2,528,656,700 (equivalent to approximately HK\$2,947,655,115) in relation to the PPP Project, inter alia, the Company shall be liable in respect of the obligation of Guangdong Water Co in the maximum amount of RMB400,169,405 (being 14.5% of the total investment of Guangdong Water Co in the PPP Project, equivalent to approximately HK\$466,477,475).

The Private Partners also signed a supplemental consortium agreement on 6 May 2019, pursuant to which, each of the Private Partners will inject the registered capital in the proportion of their equity interests at the same time whilst the Company and Guangdong Water Co shall be liable for not more than the balance of the total investment of the PPP Project in the relative proportion of their respective equity interests. It entails that the Company and Guangdong Water Co shall only undertake not more than the project financing and/or guarantee liability of the PPP Project. Accordingly, taking into account the proportionate registered capital contributed by Jingsu Chunghe Yongtai and CFMG, and Guangdong Water Co shall

be responsible for its proportionate registered as well as assuming the responsibility for the project financing and/or joint guarantees other than the registered capital, the Company is likely to invest a maximum of RMB1,891,139,837 (equivalent to approximately HK\$2,204,501,708).

**Profit Distribution Mechanism of the PPP Project**

The PPP Project includes income from sales of processing of natural water and entrusted management of the operation projects. As such income is insufficient to cover the project construction investment cost, the operating cost and returns to private partners, hence, a feasible subsidy mechanism will be in place.

**JV COMPANY**

The JV Company the is responsible for the financing, construction, operation, maintenance and transfer as well as the entrusted management of the operation projects.

**JV companies' partners**

- (1) the Company;
- (2) Guangdong Water Co;
- (3) Jiangsu Chunghe Yongtai;
- (4) CFMG; and
- (5) Xinghua City Investment.

**Terms of the JV Company**

The JV Company shall operate for a term of 30 years commencing from the date of first approved registration of the JV Company.

**Registered Capital of JV Company**

The registered capital of the JV Company shall be RMB689,947,300 (equivalent to approximately HK\$804,271,568). The Company, Guangdong Water Co, Jiangsu Chunghe Yongtai, CFMG and Xinghua City Investment will contribute to the registered capital of RMB317,375,900 (equivalent to approximately HK\$369,965,087), RMB100,042,300 (equivalent to approximately HK\$116,619,309), RMB20,698,400 (equivalent to approximately HK\$24,128,125), RMB20,698,400 (equivalent to approximately HK\$24,128,125) and RMB 231,132,300 (equivalent to approximately HK\$269,430,922) in cash, representing 46%, 14.5%, 3%, 3% and 33.5% equity interests in the JV Company, respectively. 30% of the registered capital shall be paid within 90 days after the establishment of the JV Company, each equity holder shall pay in the proportion of the equity interests at the same time. The remaining registered capital shall be injected according to the construction progress and capital requirements of the PPP Project but within 12 months from the date of establishment of the JV Company. The respective contributions to the registered capital of the JV

Company are determined after arm's length negotiations between the Private Partners with reference to the capital requirements of the PPP Project and the respective equity interests in the JV Company.

**Directors and Supervisors of JV Company**

The board of directors of the JV Company will comprise five directors, of which the Company and Xinghua City Investment will respectively appoint a chairman and a vice chairman. The Company, Guangdong Water Co and Xinghua City Investment will appoint one director respectively. The board of supervisors of JV Company will comprise three supervisors, of which each of the Company and Xinghua City Investment will nominate one supervisor respectively and the other supervisor will be the employee representative, elected by the Company's employee representative assembly. Xinghua City Investment will nominate one chairman of the board of supervisors and the Chairman will be elected by majority of all supervisors.

**Restrictions on shareholder's transfer of JV Company**

From the date of registration of the JV Company to the first three years of the operation period, each of the Private Partners shall not transfer its equity interests in the JV Company, unless such transfer is required by Chinese law, or requested or ordered by the court or a government department which has appropriate jurisdiction, as the case maybe. However, without affecting the progress of the PPP Project and with the written consent of the project implementation institution, equity holders of the JV Company may transfer their equity interests in the JV Company internally. The Company's equity interest in the JV Company is not allowed to be reduced or transferred on its volition during the cooperation period of the PPP Project.

From the fourth year of the operation period of the PPP Project until its expiration, without affecting the project implementation and with the written consent of the project implementation institution, Private Partners (except the Company) may change or transfer the equity interests of the JV Company.

If the relevant national or provincial PPP support and other related funds (referred to as government funds only) are introduced, the transfer of the JV Company's equity interests is not subject to the above-mentioned restrictions. However, it must be agreed by all of the Private Partners and approved by the government before proceeding. During the cooperation period of PPP Project, the Company's equity interests in the JV Company shall not be less than 46%.

**Profit Distribution**

When the JV Company distributes the profit after tax of the

**of JV Company** current year, it shall take out 10% of the profit to be transferred to the JV Company's statutory reserve until the accumulated statutory reserve of the JV Company reaches 50% of the JV Company's registered capital. The profit after tax (if any) may be allocated to the equity holders of the JV Company according to the proportion of the capital contributions actually paid after deduction of relevant taxes and levies, and maintaining of capital requirement etc.

## **REASONS FOR THE TRANSACTION AND BENEFITS TO THE COMPANY**

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 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 Guangdong, the PRC.

The Public Partner - Xinghua Housing and Urban Rural Construction Bureau (興化市住房和城鄉建設局) is a working bureau in the PRC under the People's Government of Xinghua (興化市人民政府). The Company understands that Jiangsu Chunghe Yongtai is a limited liability company established in China which mainly engaged in investment development and operation of park development, municipal engineering and environmental protection industry. CFMG is a limited liability company established in China principally engaged in construction and construction engineering technology research and design. Xinghua City Investment is a limited liability company established in China and is principally engaged in urban construction projects and investment, management and construction of urban infrastructure projects, land consolidation and development, investment in affordable housing projects and project management. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Public Partner, Jiangsu Chunghe Yongtai, CFMG and Xinghua City Investment are third parties independent of the Company and its connected persons.

As the PPP Project is a large-scale raw water project in the market, it can increase the Group's raw water supply scale and water assets, which can further enhance the Group's market share, influence and visibility in the Jiangsu water market. Furthermore, the Group can fully exploit the project potential and enhance the project value with years of experience in safe water supply management. At the same time, the main source of income of the PPP Project is included in the medium and long-term financial budget of Xinghua, and the income and cash flow are expected to be stable.

Taking into account of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Transaction and the Financial Assistance are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Transaction and the Financial

Assistance were 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 PPP Project, the Transaction and the Financial Assistance 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 PPP Project, the Transaction and the Financial Assistance and as such they were not required to abstain from voting on the board resolutions approving the entering into of the PPP Contract, JV Contract, the Transaction and the Financial Assistance.

## **LISTING RULES IMPLICATIONS**

According to the relevant law, Private Partners are required to enter into a consortium agreement stipulating each Private Partner to be contingently liable for others liability for the PPP Project. As such, each of the Company and Guangdong Water Co is contingently liable for the other's liability, constituting the Company's financial assistance to Guangdong Water Co.

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, therefore, a controlling shareholder of the Company. Thus, Guangdong Holdings and Guangdong Water Co are connected persons of the Company. Each of the Transaction and the Financial Assistance constitute a connected transaction and a continuing connected transaction of the Company respectively under the Listing Rules. As all of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of each of the Transaction and the Financial Assistance exceed 0.1% but are less than 5%, the Transaction and the Financial Assistance are subject to the reporting and announcement requirements, but 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”	中國一冶集團有限公司 (China First Metallurgical Group Co., Ltd.), 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;
Articles of the Company	The company articles to be entered into by the Private Partners and Xinghua City Investment for the establishment of the JV Company
“Diversion Project”	water diversion project from Yangtze River for the Xinghua City. The Diversion Project is expected to have a designed and construction capacity of approximately 430,000 tons/day. The Diversion Project primarily includes the construction of approximately 174km of water pipelines, 62km of water mains and two Xinghua booster pump stations (approximately 510,000 tons/day in total);
"equity holder(s)"	holder(s) of the equity interest(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;
“Jiangsu Chunghe Yongtai”	江蘇中和永泰建設工程有限公司 (Jiangsu Chunghe Yongtai Construction Engineering Co., Ltd.*), a limited liability company established in the PRC;
“JV Agreement”	Sino-foreign joint venture agreement to be entered into between the Private Partners and Xinghua City Investment for the establishment of the Joint Venture Company;

“JV Company”	the limited liability company to be established by the Private Partners and Xinghua City Investment in the PRC pursuant to the Joint Venture Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Operation Project”	The operation, maintenance and management of the existing water plant in Xinghua which includes water production, water supply and collection of water charges for Xinghua City;
PPP	Public Private Partnership;
PPP Project	The PPP project comprised of the water diversion project and the operation project;
“PPP Contract”	the PPP Contract to be entered into between the Private Partners and Public Partner which govern their respective rights and obligations in respect of the Xinghua Water Diversion Project;
“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 Partner(s)”	the Company, Guangdong Water Co, Jiangsu Chunghe Yongtai and CFMG;
“Public Partner”	興化市住房和城鄉建設局 (Xinghua City Construction Bureau*);
“RMB”	Reminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the transactions in relation to the establishment of JV Company by the Private Partners as contemplated under the PPP Contract and the JV Contract;

Xinghua City Investment 興化市城市建設投資有限公司 (Xinghua City Construction Investment Co., Ltd.\*), a limited liability company established in the PRC, funded institution of Xinghua Government;

Xinghua City Water Supply 興化市供水(集團)有限公司 (Xinghua City Water Supply (Holdings) Co., Ltd.\*), a limited liability company established in the PRC, subject to approval of Xinghua Government;

“%” 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\$1.1657 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  
**TSANG Hon Nam**  
*Director*

Hong Kong, 20 May 2019

*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.*