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GUANGDONG INVESTMENT LIMITED
(粵 海 投 資 有 限 公 司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00270)

VOLUNTARY ANNOUNCEMENT

The board of directors (the “Board”) of Guangdong Investment Limited (the “Company”) has noted from public information available on the Hong Kong Legislative Council’s website regarding the discussions on water supply from Guangdong Province to Hong Kong (the “DJ Water”) between the government of the Hong Kong Special Administrative Region (the “HKSAR Government”) and the government of Guangdong Province (the “Guangdong Provincial Government”).

By way of background, the supply of water to Hong Kong from Guangdong Province is regulated by an agreement (the “Hong Kong Water Supply Agreement”) between the HKSAR Government and the Guangdong Provincial Government which sets out the principal terms of such water supply (including water supply volume and water tariff). Pursuant to a concession agreement dated 18 August 2000 entered into between Guangdong Yue Gang Water Supply Company Limited (“WaterCo”, a subsidiary of the Company) and the Guangdong Provincial Government, the Guangdong Provincial Government has, amongst other things, granted to WaterCo the right to supply water to Hong Kong.

The current Hong Kong Water Supply Agreement for 2018 to 2020 was concluded on 14 December 2017 and it will expire on 31 December 2020.

According to public information available on the Hong Kong Legislative Council’s website, a paper in relation to the terms of the Hong Kong Water Supply Agreement for 2021 to 2023 (the “2021-23 Agreement”) has been submitted to the Panel on Development of the Legislative Council, which includes the following major features:

- (a) an annual supply ceiling of 820 million cubic metres of DJ water is to be retained for the three-year period between 2021 and 2023;
- (b) the annual ceiling water prices for 2021 to 2023 are HK\$4,885.53 million, HK\$4,950.51 million and HK\$5,016.35 million respectively;
- (c) a water price deduction mechanism is to be adopted with the following features:
 - (i) a deduction from the annual ceiling water price, based on the quantity of DJ water conserved (i.e. the difference between the annual supply ceiling and the actual quantity of DJ water imported) in a particular year using a unit rate. The unit rates for each cubic metre of DJ water conserved for 2021 to 2023 are HK\$0.300, HK\$0.304 and HK\$0.308 respectively;
 - (ii) the new water price deduction mechanism should have a longer application period and be adopted for at least up to 2029 (assuming 3 three-year DJ water supply agreements including the 2021-23 Agreement); and
 - (iii) a minimum annual DJ water supply quantity of 615 million cubic metres from 2021 to 2023, as well as a long term average annual DJ water supply quantity which should not be less than 700 million cubic metres over the nine-year period covering the 2021-23 Agreement and the subsequent agreements as mentioned in (ii) above;
- (d) the ultimate annual DJ water supply quantity of 1,100 million cubic metres is to be maintained; and
- (e) assurance from the Guangdong Provincial Government to maintain the quality of DJ water supplied to Hong Kong in compliance with Type II water in the Environmental Quality Standards for Surface Water (GB3838-2002), which is the highest national standard for surface water applicable for the abstraction for human consumption.

As illustrated in the paper submitted to the Panel on Development of the Legislative Council, with the adoption of price deduction mechanism in the 2021-23 Agreement, the estimated actual water price to be paid by Hong Kong under three different import quantity scenarios covering the minimum water supply (615 million cubic metres), the minimum nine-year average (700 million cubic metres) and the supply ceiling (820 million cubic metres) in the 2021-23 Agreement are given as follows:

Year	Estimated Actual Water Price to be paid under Different Import Quantity Scenarios (HK\$' million)		
	Scenario 1 Import of 615 million cubic metres	Scenario 2 Import of 700 million cubic metres	Scenario 3 Import of 820 million cubic metres
2021	4,824.03	4,849.53	4,885.53
2022	4,888.19	4,914.03	4,950.51
2023	4,953.21	4,979.39	5,016.35

The actual water price for 2021 (after the deduction for DJ water conserved) is to be frozen at the 2020 level (i.e. HK\$4,821.41 million), which is a special arrangement of the Guangdong Provincial Government to ease the financial burden of Hong Kong arisen from the COVID-19 pandemic.

The HKSAR Government plans to enter into the 2021-23 Agreement with the Guangdong Provincial Government by the end of 2020 before the expiry of the current agreement.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

This announcement is made by the Company on a voluntary basis.

By Order of the Board
TSANG Hon Nam
Director

Hong Kong, 21 December 2020

As at the date of this announcement, the Board of the Company comprises four Executive Directors, namely, Mr. HOU Wailin, Mr. LIN Tiejun, Mr. WEN Yinheng and Mr. TSANG Hon Nam; three Non-Executive Directors, namely, Mr. CAI Yong, Mr. LAN Runing and Mr. FENG Qingchun; 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.