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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)**

**CONNECTED TRANSACTION**  
**NOVATION OF FINANCE LEASE AGREEMENT**

**THE NOVATION AGREEMENT**

On 9 November 2021, the Jiacheng Engineering Companies (subsidiaries of the Company) entered into the Novation Agreement with CGN Financial Leasing and Guangdong Financial Leasing in relation to the novation of the rights and obligations of CGN Financial Leasing (as existing lessor) under the Finance Lease Agreement with the Jiacheng Engineering Companies (as lessees) to Guangdong Financial Leasing (as new lessor) at the Consideration of RMB47,309,417.15.

**LISTING RULES IMPLICATIONS**

Guangdong Financial Leasing is a subsidiary of Guangdong Holdings (being the ultimate controlling shareholder of the Company). As such, Guangdong Financial Leasing is an associate of Guangdong Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the finance lease arrangement between Guangdong Financial Leasing and the Jiacheng Engineering Companies contemplated under the Novation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated pursuant to the Listing Rules in respect of such transaction contemplated under the Novation Agreement reaches or exceeds 0.1% but none of them reaches or exceeds 5%, such transaction constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

**INTRODUCTION**

On 24 December 2019, the Jiacheng Engineering Companies (subsidiaries of the Company) entered into the Finance Lease Agreement with CGN Financial Leasing (an Independent Third Party) pursuant to which (i) the Jiacheng Engineering Companies agreed to transfer the ownership of the Leased Assets to CGN Financial Leasing; and (ii) CGN Financial Leasing agreed to lease back the Leased Assets to the Jiacheng Engineering Companies at a lease consideration of RMB75,891,671 for a term of 96 months, repayable in 32 installments. As at the date of this announcement, the outstanding lease consideration payable by the Jiacheng

Engineering Companies under the Finance Lease Agreement amounted to RMB59,290,368.25 (including the outstanding principal amount of RMB49,195,862.87 and the interest accrued thereon of RMB10,094,505.38), repayable in 25 installments.

On 9 November 2021, the Jiacheng Engineering Companies (subsidiaries of the Company) entered into the Novation Agreement with CGN Financial Leasing and Guangdong Financial Leasing in relation to the novation of the rights and obligations of CGN Financial Leasing under the Finance Lease Agreement to Guangdong Financial Leasing at the Consideration of RMB47,309,417.15.

**THE NOVATION AGREEMENT**

The key terms of the Novation Agreement are as follows:

- Date:** 9 November 2021
  
- Parties:**
  - (1) Transferor (existing lessor): CGN Financial Leasing
  - (2) Transferee (new lessor): Guangdong Financial Leasing
  - (3) Lessees: Jiacheng Engineering Companies
  
- Subject matter:** CGN Financial Leasing agreed to novate all of its rights under the Finance Lease Agreement (including the ownership of the Leased Assets and the outstanding Lease Payment Receivables), together with its obligations thereunder, to Guangdong Financial Leasing.

The Leased Assets comprise a set of sewage treatment related assets set out in the Finance Lease Agreement with a net book value of RMB76,838,228.60 as of the date of the Finance Lease Agreement.

The outstanding Lease Payment Receivables due from the Jiacheng Engineering Companies amounted to RMB59,290,368.25 as of the date of the Novation Agreement. The Jiacheng Engineering Companies agreed to make the remaining lease payments to Guangdong Financial Leasing in accordance with the original payment terms under the Finance Lease Agreement at the same interest rate of 5.88% per annum, which was determined with reference to the RMB Benchmark Lending Rate for a five-year loan promulgated by People’s Bank of China.

- Consideration:** RMB47,309,417.15, which is payable to CGN Financial Leasing (i) as to RMB46,559,417.15 by Guangdong Financial Leasing; and (ii) as to RMB750,000 by the Jiacheng Engineering Companies as premium for the Novation. The Consideration will be payable within five business days after the fulfilment of all of the payment conditions set out in the Novation Agreement, which mainly include the provision of necessary approval document on the execution and performance of obligations under the Novation Agreement and other documents stipulated thereunder.

The Consideration was determined after arms’ length negotiations among the parties to the Novation Agreement with reference to, among other things, the outstanding principal amount (i.e. RMB49,195,862.87) and the interest accrued thereon (i.e. RMB373,554.28) as of the expected Completion Date, net of the performance deposit (i.e. RMB3,000,000) and the purchase option

price (i.e. RMB10,000) paid by the Jiacheng Engineering Companies. The premium of RMB750,000 was determined with reference to the fee for early repayment and termination of the Finance Lease Agreement (being 10% of the outstanding principal amount) (the “**Early Repayment Fee**”) payable by the Jiacheng Engineering Companies thereunder.

The Company expects that the lease payments payable by the Jiacheng Engineering Companies to Guangdong Financial Leasing will be funded by external financing and/or internal resources of the Group.

**Completion:** Completion of the Novation shall take place on the Completion Date, namely the date on which CGN Financial Leasing receives the Consideration in full.

**Guarantee:** The payment obligations of the Jiacheng Engineering Companies under the Finance Lease Agreement were secured by a guarantee provided by Bohai Water (a company holding 34% equity interest in each of the Jiacheng Engineering Companies). Such guarantee will remain in force as a continuing security for the obligations and liabilities of the Jiacheng Engineering Companies under the Finance Lease Agreement (as supplemented by the Novation Agreement).

## **INFORMATION OF THE PARTIES**

### **Information of the Group**

The Group is principally engaged in investment holding, water resources, property investment and development, department store operation, hotel ownership, operation and management, investment in energy projects and road and bridge operation.

Jiacheng Environmental Engineering is an indirect subsidiary of the Company, which was acquired by the Group in April 2021. Please refer to the Company’s announcement dated 19 April 2021 for further details of such acquisition. It was established in the PRC as a limited liability company in 2005 and is principally engaged in conducting environmental engineering works and offers investment, design, construction, operation, consulting, equipment research and development and manufacturing services for engineering-related works. It is indirectly owned by the Company, Bohai Water and Ms. Li Huaqing as to 53%, 34% and 13%, respectively.

Jiacheng Sewage Engineering is an indirect subsidiary of the Company. It was established in the PRC as a limited liability company in 2015 and is principally engaged in the design, installation and construction of sewage treatment projects and operation, maintenance and service of sewage treatment facilities. It is a wholly-owned subsidiary of Jiacheng Environmental Engineering.

### **Information on CGN Financial Leasing**

CGN Financial Leasing is a company established in the PRC with limited liability. It was established in 2016 and is principally engaged in the financial leasing business]. It is an indirect wholly-owned subsidiary of China General Nuclear Power Corporation\* (中國廣核集團有限公司). China General Nuclear Power Corporation is a state-owned enterprise and its principal business is the operation of nuclear power stations. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, CGN Financial Leasing and its ultimate beneficial owner are Independent Third Parties.

## **Information on Guangdong Financial Leasing**

Guangdong Financial Leasing is a company established in the PRC with limited liability. It was established in 2011 and is principally engaged in the financial leasing business. It is an indirect wholly-owned subsidiary of Guangdong Holdings, the ultimate controlling shareholder of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NOVATION AGREEMENT**

The Finance Lease Agreement would enhance the working capital position of the Jiacheng Engineering Companies and thereby optimising their abilities to conduct and deliver their engineering project works. Despite the novation of rights and obligations under the Finance Lease Agreement to Guangdong Financial Leasing, the Novation does not involve any substantive change to the terms thereunder, which were on normal commercial terms agreed with an Independent Third Party, namely CGN Financial Leasing. Guangdong Financial Leasing has agreed that, subsequent to the Novation, the Jiacheng Engineering Companies may early repay the outstanding principal amount of RMB49,195,862.87 under the Finance Lease Agreement (as supplemented by the Novation Agreement) and terminate such agreement with the Early Repayment Fee being waived. Given that (i) the Jiacheng Engineering Companies is entitled to a waiver of the Early Repayment Fee; and (ii) they have previously obtained additional financing from GDH Finance in June 2021 at an interest rate lower than that under the Finance Lease Agreement, which may be applied to the repayment of amounts payable under the Finance Lease Agreement, the Novation affords the Jiacheng Engineering Companies the flexibility and opportunity to further lower their finance costs on the whole.

As such, the Directors consider that it is in the interest of the Group to enter into the Novation Agreement with Guangdong Financial Leasing, a reputable financial lease company and a subsidiary of the Company's ultimate controlling shareholder.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Novation Agreement are fair and reasonable, entered into on normal commercial terms, in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole.

Mr. Hou Wailin and Mr. Cai Yong, being directors of the Company, are also directors of Guangdong Holdings. All of the above-named Directors present at the meeting of the Board were not counted in the quorum and abstained from voting on the relevant Board resolutions approving the entering into of the Novation Agreement. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Directors have any material interest in the Novation.

## **LISTING RULES IMPLICATIONS**

Guangdong Financial Leasing is a subsidiary of Guangdong Holdings (being the ultimate controlling shareholder of the Company). As such, Guangdong Financial Leasing is an associate of Guangdong Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the finance lease arrangement between Guangdong Financial Leasing and the Jiacheng Engineering Companies contemplated under the Novation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated pursuant to the Listing Rules in respect of such transaction contemplated under the Novation Agreement reaches or exceeds 0.1% but none of them reaches or exceeds 5%, such transaction constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bohai Water”	渤海水業股份有限公司 (Bohai Water Industry Co., Ltd.*), a state-owned enterprise established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000605.SZ);
“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;
“Completion Date”	the date of completion of the Novation, which shall take place on the date when CGN Financial Leasing receives the Consideration in full;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	RMB47,309,417.15, being the total consideration payable to CGN Financial Leasing under the Novation Agreement;
“CGN Financial Leasing”	中廣核國際融資租賃(天津)有限公司 (CGN International Financial Leasing (Tianjin) Co., Ltd.*), a company established in the PRC with limited liability;
“Director(s)”	the director(s) of the Company;
“Early Repayment Fee”	has the meaning ascribed to it under the section headed “The Novation Agreement - Consideration” in this announcement;
“Finance Lease Agreement”	the finance lease agreement entered into between CGN Financial Leasing and the Jiacheng Engineering Companies on 24 December 2019;
“GDH Finance”	粵海集團財務有限公司 (GDH Finance Co., Ltd.), a company established in the PRC with licence to provide certain financial services to, amongst other things, members of the Group, and a wholly-owned subsidiary of Guangdong Holdings;
“Group”	the Company and its subsidiaries;
“Guangdong Financial Leasing”	廣東粵海融資租賃有限公司 (Guangdong Yuehai Financial Leasing Company Limited*), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of Guangdong Holdings;

“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 controlling shareholder of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third parties independent of the Company and its connected persons;
“Jiacheng Engineering Companies”	Jiacheng Environmental Engineering and Jiacheng Sewage Engineering;
“Jiacheng Environmental Engineering”	嘉誠環保工程有限公司 (Jiacheng Environmental Engineering Company Limited*), a company established in the PRC with limited liability and an indirect subsidiary of the Company;
“Jiacheng Sewage Engineering”	涇源縣嘉誠污水工程有限公司 (Laiyuan County Jiacheng Sewage Engineering Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of the Company;
“Lease Payment Receivables”	the outstanding lease payment receivables due from the Jiacheng Engineering Companies under the Finance Lease Agreement in the amount of RMB59,290,368.25 as at the date of the Novation Agreement;
“Leased Assets”	a set of sewage treatment related assets leased back to the Jiacheng Engineering Companies as set out in the Finance Lease Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Novation”	the novation of the rights and obligations of CGN Financial Leasing on the terms and conditions under the Novation Agreement;
“Novation Agreement”	the novation of finance lease agreement dated 9 November 2021 and entered into between the Jiacheng Engineering Companies, CGN Financial Leasing and Guangdong Financial Leasing in respect of the Novation;
“percentage ratio”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“subsidiary(ies)” has the meaning ascribed to it under the Listing Rules; and

“%” per cent.

*\* In this announcement, the English name of the PRC entity marked with an asterisk (\*) is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.*

By Order of the Board  
**TSANG Hon Nam**  
*Director*

Hong Kong, 9 November 2021

*As at the date of this announcement, the Board of the Company comprises five Executive Directors, namely, Mr. HOU Wailin, Mr. LIN Tiejun, Mr. WEN Yinheng, Mr. TSANG Hon Nam and Ms. LIANG Yuanjuan; 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, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses, Mr. WU Ting Yuk, Anthony and Mr. LI Man Bun, Brian David.*