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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)

CONTINUING CONNECTED TRANSACTIONS

SOLAR POWER PLANTS FRAMEWORK AGREEMENT

In order to support and promote the development of green and clean new energy as well as our country's strategic goals of "carbon peaking and carbon neutralization" (碳达峰、碳中和), on 18 May 2022, Guangdong Water (a wholly-owned subsidiary of the Company) and Feilaixia (a wholly-owned subsidiary of Guangdong Holdings) entered into the Solar Power Plants Framework Agreement in relation to the cooperation regarding the establishment of certain distributed solar photovoltaic power plants for generating electricity for, among others, the Guangdong Water Group's self-consumption for a term of three years, pursuant to which, among other things:

- (i) the Guangdong Water Group will provide Feilaixia with certain rooftops, pool surfaces and other vacant land resources at and/or around the water treatment plants of the Guangdong Water Group for the construction and operation of the Solar Power Plants thereon;
- (ii) the Guangdong Water Group will provide Feilaixia with daily maintenance services for those Solar Power Plants; and
- (iii) Feilaixia will supply electricity generated by those Solar Power Plants to the relevant members of the Guangdong Water Group.

Guangdong Holdings is the ultimate controlling shareholder of the Company, and therefore, is a connected person of the Company. Feilaixia (being a wholly-owned subsidiary of Guangdong Holdings) is an associate of Guangdong Holdings, hence a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Solar Power Plants Framework Agreement between the Guangdong Water Group and Feilaixia constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the caps for the Electricity Consumption Fees under the Solar Power Plants Framework Agreement calculated pursuant to the Listing Rules exceeds 0.1% but all of them are less than 5%, the Solar Power Plants Framework Agreement is therefore subject to the reporting, annual review and announcement requirements under the Listing Rules, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

SOLAR POWER PLANTS FRAMEWORK AGREEMENT

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A summary of the salient terms of the Solar Power Plants Framework Agreement is set out below:

Date: 18 May 2022

Parties: (1) Guangdong Water; and
(2) Feilaixia

Term: 1 June 2022 to 31 May 2025 (both days inclusive)

Scope of cooperation: The parties to the Solar Power Plants Framework Agreement have agreed to cooperate with each other in the following manner:

- (i) the Guangdong Water Group will provide Feilaixia with certain rooftops, pool surfaces and other vacant land resources at and/or around the water treatment plants of the Guangdong Water Group for the construction and operation of the Solar Power Plants thereon in return for the Resource Usage Fees; and
- (ii) the Guangdong Water Group will also provide Feilaixia with daily maintenance services (including but not limited to equipment inspection, panel monitoring and operating, defect reporting, emergency treatment, safety management, and related accounting and administrative services) for those Solar Power Plants in return for the Maintenance Fees.

Feilaixia is responsible for financing, constructing and operating the Solar Power Plants at its own costs and the Guangdong Water Group is not required to provide any funds in relation thereto. The Solar Power Plants shall be owned by Feilaixia, hence any income generated by those Solar Power Plants shall also belong to Feilaixia.

Upon commencement of the operation of a Solar Power Plant at the relevant water treatment plant, the relevant member of the Guangdong Water Group will purchase electricity generated by that Solar Power Plant for the operation of the relevant water treatment plant and pay Feilaixia the relevant Electricity Consumption Fees.

Specific Agreements: During the term of the Solar Power Plants Framework Agreement, the member(s) of the Guangdong Water Group may from time to time enter into the Specific Agreements with Feilaixia for the cooperation regarding each solar power plant project at the relevant water treatment plant in accordance with the principles and provisions of the Solar Power Plants Framework Agreement, and the Specific Agreement will set out the specific terms and settlement details for each relevant cooperation.

Pricing policy and payment term: The parties to the Solar Power Plants Framework Agreement have agreed as follows:

- (i) each transaction contemplated under the Solar Power Plants Framework Agreement will be negotiated on an arm's length basis to ensure the relevant pricing terms are on normal commercial terms and no less favourable than those being offered, if any, by the Independent Third Parties to the Group for comparable transactions;
- (ii) the Resource Usage Fees shall be calculated based on the actual area of the relevant sites available for the establishment of the Solar Power Plants and their rates shall be determined after arm's length negotiations taking into account the sunlight quantity, actual electricity consumption volume and rate, construction conditions of the relevant site available for the establishment of the relevant Solar Power Plant, and with reference to the results of relevant market research (including the study of market precedents of similar distributed solar photovoltaic projects carried out by other PRC state-owned enterprises which are the Independent Third Parties);
- (iii) the Maintenance Fees shall be calculated based on the actual peak power capacities of the installed system of the relevant Solar Power Plants and their rates shall be determined after arm's length negotiations taking into account the peak power capacities of the installed system of the relevant Solar Power Plants, the nature and standard of the services required and the anticipated operational costs (such as labour costs and administrative costs), and with reference to the results of relevant market research (including the study of market precedents of similar distributed solar photovoltaic projects carried out by other PRC state-owned enterprises which are the Independent Third Parties);
- (iv) the Electricity Consumption Fees shall be calculated based on the actual electricity consumption and the relevant electricity price (exclusive of tax) on the supply of electricity determined by the local power supply government bureau where the relevant water treatment plant is located, which is subject to adjustment from time to time (the "**Bureau Electricity Price**");

- (v) in determining each of the Resource Usage Fees, the Maintenance Fees and the Electricity Consumption Fees, Guangdong Water Group shall (a) refer to similar transactions with the Independent Third Parties or, (b) in the event the Guangdong Water Group has not previously entered into any similar transactions, it shall refer to the standard price promulgated by the relevant government authorities or those paid or charged by at least two companies which are Independent Third Parties for comparable transactions, so as to negotiate with Feilaixia and ensure that those fees are fair and reasonable and the terms are no less favourable than those offered by other Independent Third Parties; and
- (vi) subject to the relevant Specific Agreements, the Resource Usage Fees and the Maintenance Fees shall be settled on quarterly, half-yearly or yearly basis (where applicable), and the Electricity Consumption Fees shall be settled on monthly, quarterly, half-yearly or yearly basis (where applicable). It is expected that all payments for the Electricity Consumption Fees to be made by the Guangdong Water Group would be made in cash from its internal financial resources.

Caps and basis of determination

As the Guangdong Water Group and Feilaixia has yet to start any cooperation regarding the establishment of the distributed solar photovoltaic power plants before signing the Solar Power Plants Framework Agreement, no relevant historical transaction figure is available. It is preliminarily contemplated by the parties to start carrying out the said cooperation under the Solar Power Plants Framework Agreement for the period from 1 June 2022 to 31 December 2022 at approximately 57 water treatment plants suitable for the development, construction and operation of the Solar Power Plants, which are mainly located in Guangdong, Jiangsu, Hebei and Hainan in the PRC. Based on the development plan and potential expansion of the Guangdong Water Group, it is expected that there will be approximately 57, 68, 73 and 76 water treatment plants which will carry out cooperation under the Solar Power Plants Framework Agreement (the “**Selected Water Treatment Plants**”) during the period from 1 June 2022 to 31 December 2022, the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025, respectively.

Pursuant to the Solar Power Plants Framework Agreement, the relevant caps (i.e. the maximum aggregate transaction amounts for the relevant periods) for the transactions contemplated under the Solar Power Plants Framework Agreement are as follows:

Resource Usage Fees and Maintenance Fees

	For the period from 1 June 2022 to 31 December 2022 (RMB)	For the year ending 31 December 2023 (RMB)	For the year ending 31 December 2024 (RMB)	For the period from 1 January 2025 to 31 May 2025 (RMB)
Caps	500,000 (equivalent to approximately HK\$592,850)	3,000,000 (equivalent to approximately HK\$3,557,100)	3,300,000 (equivalent to approximately HK\$3,912,810)	1,500,000 (equivalent to approximately HK\$1,778,550)

The above caps in respect of the Resource Usage Fees and the Maintenance Fees are determined based on the following:

(a) regarding the Resource Usage Fees:

- (1) the average rate of the Resource Usage Fees in respect of the Selected Water Treatment Plants at approximately RMB2,000 (equivalent to approximately HK\$2,372) per mu per year as estimated by the Guangdong Water Group having taken into account, among other things, (i) the appraised value of the annual total resource usage fees of the 57 Selected Water Treatment Plants which are expected to start carrying out the cooperation under the Solar Power Plants Framework Agreement for the period from 1 June 2022 to 31 December 2022 (and the relevant total site areas) as at 26 March 2022 according to a valuation report prepared based on market approach by an independent professional valuer in the PRC engaged by the Guangdong Water Group, (ii) the relevant location of the Selected Water Treatment Plants and (iii) the expected increase in the market resource usage fees during the term of the Solar Power Plants Framework Agreement; and
- (2) the estimated site areas available at the Selected Water Treatment Plants for the establishment of the Solar Power Plants during the relevant periods, which amounts to approximately 530.95 mu, 637.14 mu, 690.24 mu and 712.36 mu in total for the period from 1 June 2022 to 31 December 2022, the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025, respectively. As the relevant site areas are expected to be increased, the estimated Resource Usage Fees (and the relevant caps in respect of the Resource Usage Fees and Maintenance Fees) for the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025, respectively, are higher when compared to that for the period from 1 June 2022 to 31 December 2022.

(b) regarding the Maintenance Fees:

- (1) the average rate of the Maintenance Fees at approximately RMB20 per kW per year in respect of the Solar Power Plants as estimated by the Guangdong Water Group having taken into account, among other things, the estimated peak power capacities of the installed system of the relevant Solar Power Plants, the nature and standard of the services required and the anticipated operational costs (such as labour costs and administrative costs); and

- (2) the estimated peak power capacities of the installed system of the Solar Power Plants to be established at the Selected Water Treatment Plants during the relevant periods, which amounts to approximately 46,345 kW, 55,614 kW, 60,248.50 kW and 62,179.60 kW in total for the period from 1 June 2022 to 31 December 2022, the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025, respectively. As the peak power capacities of the installed system of the Solar Power Plants are expected to be increased, the estimated Maintenance Fees (and the relevant caps in respect of the Resource Usage Fees and Maintenance Fees) for the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025, respectively, are higher when compared to that for the period from 1 June 2022 to 31 December 2022.

Electricity Consumption Fees

	For the period from 1 June 2022 to 31 December 2022 (RMB)	For the year ending 31 December 2023 (RMB)	For the year ending 31 December 2024 (RMB)	For the period from 1 January 2025 to 31 May 2025 (RMB)
Caps	5,000,000 (equivalent to approximately HK\$5,928,500)	45,000,000 (equivalent to approximately HK\$53,356,500)	46,000,000 (equivalent to approximately HK\$54,542,200)	22,000,000 (equivalent to approximately HK\$26,085,400)

The above caps in respect of the Electricity Consumption Fees are determined based on the following:

- (a) the prevailing Bureau Electricity Prices, which are at the range of approximately RMB0.47 to RMB0.76 per kWh;
- (b) the expected number of the Selected Water Treatment Plants carrying out cooperation under the Solar Power Plants Framework Agreement during the period from 1 June 2022 to 31 December 2022, the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025, are 57, 68, 73 and 76, respectively; and
- (c) the estimated electricity consumption of each of the Selected Water Treatment Plants which start carrying out cooperation under the Solar Power Plants Framework Agreement for the relevant periods with reference to their historical electricity consumption volumes. On the basis of the factors set out under sub-paragraph (b) and this sub-paragraph, the relevant caps in respect of Electricity Consumption Fees for the year ending 31 December 2023, the year ending 31 December 2024 and the period from 1 January 2025 to 31 May 2025, respectively, are higher when compared to that for the period from 1 June 2022 to 31 December 2022.

INTERNAL CONTROL MEASURES

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the relevant personnel and management of the Group to ensure that the relevant continuing connected transaction is conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders as a whole.

Before entering into any Specific Agreement as contemplated under the Solar Power Plants Framework Agreement, the relevant personnel and management of the Group will review and assess the terms of the relevant Specific Agreement to ensure they are consistent with the principles and provisions set out in the Solar Power Plants Framework Agreement. Also, regular checks will be conducted to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of the related Specific Agreements and the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy. In addition, review reports containing details such as the latest utilisation rate of the relevant caps and the updated list of relevant continuing connected transactions, will be prepared by the relevant personnel of the Guangdong Water Group on a half-year basis. In the event that the utilisation rate of the relevant cap reaches 80%, the Board will be informed for considering if the relevant Cap shall be revised and, if so, the Company will further comply with relevant requirements under the Listing Rules.

The independent non-executive Directors and the independent auditor of the Company will also conduct an annual review on the pricing terms and the caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Solar Power Plants Framework Agreement have been and will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SOLAR POWER PLANTS FRAMEWORK AGREEMENT

The principal businesses of the Group include, among others, water resources business. In order to support and promote the development of green and clean energy as well as our country's strategic goals for "carbon peaking and carbon neutralization" (碳达峰、碳中和), the Group has been actively exploring the possibility of the energy-saving model of "combining solar photovoltaic power generation with water resources" through the use of distributed solar photovoltaic power plants at its water treatment plants. The cooperation regarding the distributed solar photovoltaic power plant projects between the Guangdong Water Group and Feilaixia under the Solar Power Plants Framework Agreement serves as a good opportunity for the Group to carry out such exploration at lower costs. Under such cooperation, Feilaixia is responsible for financing, constructing and operating the Solar Power Plants at its own costs and the Guangdong Water Group is not required to provide any funds in relation thereto. The risks of developing and operating the Solar Power Plants will be mainly vested in Feilaixia. Only upon successful establishment and operation of the Solar Power Plants, the Guangdong Water Group will purchase from Feilaixia the electricity generated by the relevant Solar Power Plants at the government prescribed prices. On the other hand, the Guangdong Water Group will charge Feilaixia the Resource Usage Fees and the Maintenance Fees for its provision of the sites for the operation of the Solar Power Plants and also the maintenance services in relation thereto.

The entering into of the Solar Power Plants Framework Agreement would enable both parties to leverage on their respective strength and resources to build a stable and mutually-beneficial strategic relationship for the development of solar photovoltaic power generation and use of solar power.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Solar Power Plants Framework Agreement and the transactions contemplated thereunder together with the respective caps are fair and reasonable, entered into on normal commercial terms or better, 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.

LISTING RULES IMPLICATIONS

Guangdong Holdings is the ultimate controlling shareholder of the Company and, therefore, is a connected person of the Company. Feilaixia (being a wholly-owned subsidiary of Guangdong Holdings) is an associate of Guangdong Holdings, hence a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated under the Solar Power Plants Framework Agreement between the Guangdong Water Group and Feilaixia constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the caps for the Electricity Consumption Fees under the Solar Power Plants Framework Agreement calculated pursuant to the Listing Rules exceeds 0.1% but all of them are less than 5%, the Solar Power Plants Framework Agreement is therefore subject to the reporting, annual review and announcement requirements under the Listing Rules, but is exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Mr. Hou Wailin and Mr. Cai Yong, being the Directors, are also directors of Guangdong Holdings. The above-named Directors, who were present at the relevant Board meeting, were not counted in the quorum and abstained from voting on the relevant Board resolutions to approve the entering into of the Solar Power Plants Framework Agreement and the transactions contemplated (including the respective caps) thereunder.

Save as disclosed, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Directors had any material interest in the Solar Power Plants Framework Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant Board resolutions.

INFORMATION ON PARTIES

Information on the Group, Guangdong Water and the Guangdong Water Group

The Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. 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. The ultimate controlling shareholder of the Company is Guangdong Holdings.

Guangdong Water is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding and is a wholly-owned subsidiary of the Company. The Guangdong Water Group is principally engaged in investment holding and water resources projects in the PRC.

Information on Feilaixia

Feilaixia is a wholly-owned subsidiary of Guangdong Holdings which is principally engaged in operating hydropower plants, electricity supply and developing solar power, wind power and other new energies in the PRC.

Information on Guangdong Holdings

Guangdong Holdings is a company established in the PRC, which is principally engaged in investment holding. It is held as to 90% by the People's Government of Guangdong Province (the "**Guangdong Government**") and as to 10% by the Department of Finance of the Guangdong Government while the State-owned Assets Supervision and Administration Commission of the Guangdong Government has been performing ownership and control functions in respect of Guangdong Holdings with the authorisation of the Guangdong Government.

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;
"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;
"Feilaixia"	廣東粵海飛來峽水力發電有限公司 (Guangdong Yuehai Feilaixia Hydropower Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of Guangdong Holdings;
"Electricity Consumption Fees"	the electricity consumption fees to be charged by Feilaixia to the Guangdong Water Group under the Solar Power Plants Framework Agreement for its supply of electricity generated by the Solar Power Plants;
"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”	Guangdong Water Holdings Limited (粵海水務控股有限公司), a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability;
“Guangdong Water Group”	Guangdong Water and its subsidiaries;
“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)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“kW”	Kilowatt;
“kWh”	kilowatt hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Maintenance Fees”	the maintenance fees to be charged by the Guangdong Water Group to Feilaixia under the Solar Power Plants Framework Agreement for its provision of daily maintenance services for the Solar Power Plants;
“mu”	畝 (mu), a measurement unit of land area in the PRC, one 畝 (mu) equals to approximately 666.67 square meters;
“PRC”	the People’s Republic of China;
“Resource Usage Fees”	the resource usage fees to be charged by the Guangdong Water Group to Feilaixia under the Solar Power Plants Framework Agreement for its provision of certain rooftops, pool surfaces and other vacant land resources in its water treatment plants;
“RMB”	Renminbi, the lawful currency of the PRC;
“Selected Water Treatment Plants”	has the meaning ascribed to it under the section headed “Solar Power Plants Framework Agreement – Caps and basis of determination” of this announcement;

“Specific Agreement(s)”	the specific individual agreement(s) that may be entered into between the relevant member(s) of the Guangdong Water Group and Feilaixia in relation to the cooperation regarding the distributed solar photovoltaic power plant projects, in accordance with the principles and terms of the Solar Power Plants Framework Agreement;
“Solar Power Plant(s)”	the distributed solar photovoltaic power plant(s) to be developed and constructed at the water treatment plants of the Guangdong Water Group contemplated under the Solar Power Plants Framework Agreement;
“Solar Power Plants Framework Agreement”	the distributed solar photovoltaic power plants framework agreement dated 18 May 2022 and entered into between Guangdong Water and Feilaixia, details of which are set out under the section headed “Solar Power Plants Framework Agreement” in this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1.00=RMB1.1857 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.

** In this announcement, the English name of the PRC entity marked with an asterisk(*) is translation of its Chinese name, and 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, 18 May 2022

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.