

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00270)**

**CONTINUING CONNECTED TRANSACTIONS  
THE ZHANJIANG WATER SUPPLY AGREEMENT**

**THE ZHANJIANG WATER SUPPLY AGREEMENT**

On 28 April 2023, Zhanjiang Hedi Water Co (an indirect non-wholly owned subsidiary of the Company) (as raw water supplier) and Zhanjiang GDH Water Co (an indirect non-wholly owned subsidiary of Guangdong Holdings) (as processor of raw water) entered into the Zhanjiang Water Supply Agreement, pursuant to which Zhanjiang Hedi Water Co shall supply raw water (also known as natural water) to the Water Factories operated by Zhanjiang GDH Water Co (which will then provide municipal water (after processing) to end users) within the Supply Areas for a term of 30 years commencing from the date on which the Water Diversion Project commences commercial operation, which is 1 May 2023.

**LISTING RULES IMPLICATIONS**

Guangdong Holdings is the ultimate controlling shareholder of the Company and therefore, is a connected person of the Company. Zhanjiang GDH Water Co (being an indirect non-wholly owned subsidiary of Guangdong Holdings) is an associate of Guangdong Holdings and hence also a connected person of the Company. Accordingly, the entering into of the Zhanjiang Water Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed Caps set for the transactions contemplated under the Zhanjiang Water Supply Agreement exceed 0.1% but all of them are less than 5%, the Zhanjiang Water Supply Agreement and the transactions contemplated thereunder are therefore subject to the reporting, annual review and announcement requirements under the Listing Rules, but are exempt from the independent shareholders' approval and circular requirements under the Listing Rules.

As the term of the Zhanjiang Water Supply Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain why the Zhanjiang Water Supply Agreement requires a term longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration.

## THE ZHANJIANG WATER SUPPLY AGREEMENT

On 28 April 2023, Zhanjiang Hedi Water Co (an indirect non-wholly owned subsidiary of the Company) (as raw water supplier) and Zhanjiang GDH Water Co (an indirect non-wholly owned subsidiary of Guangdong Holdings) (as processor of raw water) entered into the Zhanjiang Water Supply Agreement, pursuant to which Zhanjiang Hedi Water Co shall supply raw water (also known as natural water) to the Water Factories operated by Zhanjiang GDH Water Co (which will then provide municipal water (after processing) to end users) within the Supply Areas for a term of 30 years commencing from the date on which the Water Diversion Project commences commercial operation, which is 1 May 2023.

A summary of the salient terms of the Zhanjiang Water Supply Agreement is set out below:

- Date:** 28 April 2023
- Parties:**
- (1) Zhanjiang Hedi Water Co (an indirect non-wholly owned subsidiary of the Company) (as raw water supplier)
  - (2) Zhanjiang GDH Water Co (an indirect non-wholly owned subsidiary of Guangdong Holdings) (as processor of raw water)
- Term:** 30 years commencing from the date on which the Water Diversion Project commences commercial operation, which is 1 May 2023.
- Raw water supply services:** Zhanjiang Hedi Water Co shall supply raw water obtained from the Hedi Reservoir to the Water Factories operated by Zhanjiang GDH Water Co within the Supply Areas.
- Within the Supply Areas, the Water Factories operated by Zhanjiang GDH Water Co shall only use raw water supplied by Zhanjiang Hedi Water Co, and shall not use raw water supplied by any other third parties, or collect raw water on its own, unless (i) the water supply service is suspended by Zhanjiang Hedi Water Co; (ii) the quantity or quality of raw water supplied is unable to meet the requirements of Zhanjiang GDH Water Co; (iii) there is a burst of the raw water pipeline(s); (iv) it is underground water sourced as backup supply for maintaining normal water supply to end users; or (v) there is an occurrence of force majeure event(s) such as natural disasters, war, etc.
- Pricing basis and payment terms:** The raw water fee shall be calculated on a monthly basis and determined based on:
- (1) the unit price of raw water (currently estimated to be in the range between RMB1.24/ton and RMB1.58/ton (tax inclusive)) is subject to the final determination of the Zhanjiang Development and Reform Bureau\* (湛江市發展和改革局). In line with the arrangements under the Concession Agreement, the unit raw water price shall be

mutually agreed by the Zhan Jiang Development and Reform Bureau and Zhanjiang Hedi Water Co (“**Raw Water Unit Price**”) in accordance with the Measures for Cost Supervision and Examination for Pricing of Water Supply in Water Conservancy Projects\* (《水利工程供水定價成本監審辦法》) and the Water Supply Pricing Management Measures for Water Conservancy Projects\* (《水利工程供水價格管理辦法》) issued by NDRC, the SLG705-81 Trial Standard for the Establishment of Technical Personnel in Water Conservancy Project Management Units\* (《水利工程管理單位編制定員試行標準 SLJ705-81》) issued by the Ministry of Water Resources or the latest measures as published by the relevant government authorities in the PRC from time to time. When determining the Raw Water Unit Price, the Zhan Jiang Development and Reform Bureau shall also take into account (i) the total investment amount in respect of the Water Diversion Project; (ii) the operation cost (such as maintenance cost of the relevant equipment and staff cost); (iii) the finance cost; (iv) the amount of raw water supply; and (v) the net return of assets. Further, the Raw Water Unit may be subsequently adjusted (i) in the event of Zhanjiang Hedi Water Co being able to obtain government funding or other subsidies; or (ii) for reasons relating to inflation once every three years); and

- (2) the amount of raw water supply as shown on the flow meters installed by Zhanjiang Hedi Water Co at the water intake point(s) of each of the Water Factories (“Raw Water Supply”). In the event that the flow meters are malfunctioned, the amount of Raw Water Supply will be calculated by reference to the average daily amount of Raw Water Supply for the 10-day period immediately preceding such malfunctioned period, as determined by the parties.

The formula for calculating the raw water fee of a particular month is as follows:

Monthly raw water fee = Raw Water Unit Price x Raw Water Supply

Zhanjiang Hedi Water Co and Zhanjiang GDH Water Co shall agree on the raw water fee for the previous month by the 5<sup>th</sup> day of each calendar month. Zhanjiang GDH Water Co shall pay such raw water fee within 20 calendar days after its finance department approves the raw water fee bill issued by Zhanjiang Hedi Water Co. The approval procedure of the finance department of Zhanjiang GDH Water Co shall be completed within two working days upon receipt of the raw water fee bill.

## THE PROPOSED CAPS AND BASIS OF DETERMINATION

There is no historical transaction amount for the transactions in respect of the Zhanjiang Water Supply Agreement.

The proposed caps set for the transactions contemplated under the Zhanjiang Water Supply Agreement (the “**Proposed Caps**”) are as follows:

|     | Period / Year                                       | Estimated sale volumes (ton) | Estimated revenue (Note 1) (tax inclusive) (RMB) | Proposed Caps (Note 2) (tax inclusive) (RMB) |
|-----|-----------------------------------------------------|------------------------------|--------------------------------------------------|----------------------------------------------|
| 1.  | For the period from 1 May 2023 to 31 December 2023  | 62,840,000                   | 77,920,000                                       | 99,280,000                                   |
| 2.  | For the year ending 31 December 2024                | 157,180,000                  | 194,900,000                                      | 248,340,000                                  |
| 3.  | For the year ending 31 December 2025                | 162,920,000                  | 202,020,000                                      | 257,410,000                                  |
| 4.  | For the year ending 31 December 2026                | 168,760,000                  | 209,260,000                                      | 266,630,000                                  |
| 5.  | For the year ending 31 December 2027                | 174,810,000                  | 216,760,000                                      | 276,190,000                                  |
| 6.  | For the year ending 31 December 2028                | 181,080,000                  | 224,540,000                                      | 286,100,000                                  |
| 7.  | For the year ending 31 December 2029                | 187,580,000                  | 232,600,000                                      | 296,370,000                                  |
| 8.  | For the year ending 31 December 2030                | 194,180,000                  | 240,780,000                                      | 306,810,000                                  |
| 9.  | For the year ending 31 December 2031                | 199,880,000                  | 247,850,000                                      | 315,810,000                                  |
| 10. | For the year ending 31 December 2032                | 205,670,000                  | 255,030,000                                      | 324,960,000                                  |
| 11. | For the year ending 31 December 2033                | 209,720,000                  | 260,050,000                                      | 331,350,000                                  |
| 12. | For the year ending 31 December 2034                | 213,840,000                  | 265,160,000                                      | 337,870,000                                  |
| 13. | For the year ending 31 December 2035                | 218,050,000                  | 270,380,000                                      | 344,520,000                                  |
| 14. | For the year ending 31 December 2036                | 222,340,000                  | 275,700,000                                      | 351,290,000                                  |
| 15. | For the year ending 31 December 2037                | 226,640,000                  | 281,030,000                                      | 358,090,000                                  |
| 16. | For the year ending 31 December 2038                | 231,030,000                  | 286,480,000                                      | 365,020,000                                  |
| 17. | For the year ending 31 December 2039                | 235,500,000                  | 292,020,000                                      | 372,090,000                                  |
| 18. | For the year ending 31 December 2040                | 240,060,000                  | 297,670,000                                      | 379,290,000                                  |
| 19. | For the year ending 31 December 2041                | 244,710,000                  | 303,440,000                                      | 386,640,000                                  |
| 20. | For the year ending 31 December 2042                | 249,450,000                  | 309,320,000                                      | 394,130,000                                  |
| 21. | For the year ending 31 December 2043                | 251,940,000                  | 312,410,000                                      | 398,070,000                                  |
| 22. | For the year ending 31 December 2044                | 254,460,000                  | 315,530,000                                      | 402,050,000                                  |
| 23. | For the year ending 31 December 2045                | 257,010,000                  | 318,690,000                                      | 406,070,000                                  |
| 24. | For the year ending 31 December 2046                | 259,580,000                  | 321,880,000                                      | 410,130,000                                  |
| 25. | For the year ending 31 December 2047                | 262,170,000                  | 325,090,000                                      | 414,240,000                                  |
| 26. | For the year ending 31 December 2048                | 264,800,000                  | 328,350,000                                      | 418,380,000                                  |
| 27. | For the year ending 31 December 2049                | 267,440,000                  | 331,630,000                                      | 422,560,000                                  |
| 28. | For the year ending 31 December 2050                | 270,120,000                  | 334,950,000                                      | 426,790,000                                  |
| 29. | For the year ending 31 December 2051                | 272,820,000                  | 338,300,000                                      | 431,060,000                                  |
| 30. | For the year ending 31 December 2052                | 275,550,000                  | 341,680,000                                      | 435,370,000                                  |
| 31. | For the period from 1 January 2053 to 30 April 2053 | 162,330,000                  | 201,310,000                                      | 256,500,000                                  |

Notes:

1: The estimated revenue is calculated based on the estimated sales volume x estimated unit price (being RMB1.24/ton). The Company estimates that the Raw Water Unit Price will be in the range between RMB1.24/ton and RMB1.58/ton, which is determined based on a basket of factors as set out in paragraph (1) of the section headed "The Zhanjiang Water Supply Agreement - Pricing basis and payment terms" in this announcement, and it is expected to be finalised in due course after, amongst others, investment costs of the Water Diversion Project are worked out.

2: The Proposed Caps are calculated based on the estimated sales volume x estimated unit price of RMB1.58/ton (being the highest estimated Raw Water Unit Price in the range between RMB1.24/ton and RMB1.58/ton).

The relevant Proposed Caps set for each of the relevant periods under the Zhanjiang Water Supply Agreement were determined having taken into account (i) the contemplated sale volume of raw water to Zhanjiang GDH Water Co which is based on the estimated volume of raw water to be used by the end users in the Supply Areas and the estimated growth in population in the urban areas of Zhanjiang City, the PRC in the coming 30 years; (ii) the estimated Raw Water Unit Price (between the range of RMB1.24/ton and RMB1.58/ton which is subject to the final determination of the Zhan Jiang Development and Reform Bureau) prescribed by the Zhan Jiang Development and Reform Bureau and agreed by Zhanjiang Hedi Water Co in accordance with the Measures for Cost Supervision and Examination for Pricing of Water Supply in Water Conservancy Projects \* (《水利工程供水定價成本監審辦法》), the Water Supply Pricing Management Measures for Water Conservancy Projects\* (《水利工程供水價格管理辦法》) issued by NDRC, and the SLG705-81 Trial Standard for the Establishment of Technical Personnel in Water Conservancy Project Management Units\* (《水利工程管理單位編制定員試行標準 SLJ705-81》) issued by the Ministry of Water Resources, and has taken into account the estimated increase in operation costs (such as electricity cost, staff cost, maintenance cost of the relevant equipment) due to inflation and other costs such as finance cost and tax; and (iii) the possibility of enlargement of raw water supply areas in light of the 30-year duration of the Zhanjiang Water Supply Agreement.

## OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

As the term of the Zhanjiang Water Supply Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain why the Zhanjiang Water Supply Agreement requires a term longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration.

In assessing the reasons for the duration of the Zhanjiang Water Supply Agreement to be longer than three years, the Independent Financial Adviser considered the following:

### *Term of the Concession Agreement*

- (i) prior to entering into the Zhanjiang Water Supply Agreement, Zhanjiang Hedi Water Co entered into the Concession Agreement, pursuant to which Zhanjiang Hedi Water Co shall be responsible for the investment, construction and operation of the Water Diversion Project on a build-operate-transfer (BOT) basis, and shall have the concession right to supply raw water in the urban areas of Zhanjiang City. The term of the Concession Agreement (the "Concession Period") is 30 years commencing from the date on which the Water Diversion Project commences commercial operation (i.e. being the same as the term of the Zhanjiang Water Supply Agreement). Upon the expiration of the Concession Period, the Concession Agreement may be further extended

subject to mutual negotiation as well as compliance with the relevant rules and regulations, or otherwise, Zhanjiang Hedi Water Co will have to transfer the project facilities and relevant materials to the Zhanjiang Water Authority;

- (ii) as Zhanjiang Hedi Water Co does not own the Water Diversion Project under the BOT nature and only has a fixed period of time to operate and generate revenue through the supply of raw water, the Independent Financial Adviser considered that it is reasonable and commercially justifiable for Zhanjiang Hedi Water Co to enter into the Zhanjiang Water Supply Agreement with a term that corresponds to the Concession Period, as it enables the Group to fully utilise the Concession Period to generate revenue. In addition, such arrangement also reduces the Group's uncertainty and costs in sourcing customers during the Concession Period;

*Resources required to be invested and conducive to extending the revenue period*

- (iii) in light of the BOT nature of the Water Diversion Project, heavy capital investment in constructing, amongst others, the pressurised pump stations and water pipelines for the transportation of raw water, has been involved. Due to the substantial upfront costs incurred, the entering into of a longer term of the Zhanjiang Water Supply Agreement can ensure the Group has sufficient time to recover the precipitation costs involved and gain reasonable profits. Hence, the Independent Financial Adviser considered that a term of longer than three years for the Zhanjiang Water Supply Agreement is reasonable; and
- (iv) according to the Company's annual report for the year ended 31 December 2022, the Group's water resources business (the "**Water Business**") accounted for approximately 73.07% of its total revenue in 2022. According to the annual report of the Company for the year ended 31 December 2022, the Group intends to, amongst others, continue its investments in water resources management, expanding its core business segments, proactively seeking potential opportunities arising from the strategic planning of the development of the "Guangdong-Hong Kong-Macao Greater Bay Area Initiative" as well as monitoring potential public-private-partnership projects to promote profit growth and enhance long-term value. In this regard, the Independent Financial Advisor considered that the establishment of a longer term of the Zhanjiang Water Supply Agreement will facilitate the extension of the term for receiving revenue for the Water Business and is in line with the Group's strategic position.

Considering that (i) it is reasonable and commercially justifiable for the term of the Zhanjiang Water Supply Agreement to correspond to the Concession Period; and (ii) the amount of resources required to be invested and a longer term would facilitate the extension of the Group's revenue period for the Water Business, the Independent Financial Adviser is of the view that a term of longer than three years is required for the Zhanjiang Water Supply Agreement.

In considering whether it is normal business practice for agreement of a similar nature to the Zhanjiang Water Supply Agreement to have a term of such duration, the Independent Financial Adviser had conducted research on this type of water supply agreement undertaken by companies listed on the Main Board of the Stock Exchange within two years from the date of this announcement with the following criteria, (i) transaction relating to the supply of raw water; and (ii) the relevant water diversion

project is operated in the form of BOT model under concession arrangement. Due to the specific and utility nature of this type of water supply agreement, on a best effort basis, the Independent Financial Adviser could not identify any comparable transactions according to the selection criteria as mentioned above. On the other hand, the Independent Financial Adviser had further obtained and reviewed six water supply agreements (the “**Comparable Transactions**”) entered into between the Group and independent third parties of similar nature to the Zhanjiang Water Supply Agreement during the period from 2016 to 2021 and noted that the relevant terms of the Comparable Transactions range from 25 years to 30 years, where the term of the Zhanjiang Water Supply Agreement falls within such range.

Therefore, the Independent Financial Adviser is of the view that it is normal business practice for the Zhanjiang Water Supply Agreement to have a duration of 30 years.

## **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.

Regular checks will be conducted to review and assess whether the continuing connected transactions under the Zhanjiang Water Supply Agreement is conducted in accordance with the terms of the Zhanjiang Water Supply Agreement and the raw water fees charged are fair and reasonable and in accordance with the aforesaid pricing policy. In addition, the relevant staff of the Group will closely monitor the raw water fees and the relevant Proposed Caps of the Zhanjiang Water Supply Agreement by preparing review reports containing details such as the actual raw water fees received in each month and the latest utilisation rate of the relevant Proposed Caps on a half-yearly basis. In the event that the utilisation rate of the relevant Proposed Cap reaches 80%, the Board will be informed for considering if the relevant Proposed Caps shall be revised and, if so, the Company will further comply with relevant requirements under the Listing Rules.

To ensure proper and complete separation of duties, no common staff, senior management or director of the Group and Zhanjiang GDH Water Co will be involved in the internal control procedures. The Company will conduct an annual review of the above internal control measures and report the review results to the Board. The independent non-executive Directors and the independent auditor of the Company will also conduct an annual review on the terms of the relevant transactions and the Proposed Caps thereof and the Board will oversee the Company’s internal control measures in relation to the Zhanjiang Water Supply Agreement on an ongoing basis.

In light of the above, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Zhanjiang Water Supply Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders as a whole.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE ZHANJIANG WATER SUPPLY AGREEMENT**

The Group is principally engaged in, among others, distribution of water resources.

Zhanjiang Hedi Water Co (an indirect non-wholly owned subsidiary of the Company) is principally engaged in, among others, distribution of water resources and raw water supply. Zhanjiang Hedi Water Co holds a raw water supply concession granted by the Zhanjiang Water Authority, pursuant to which Zhanjiang Hedi Water Co shall be responsible for the investment, construction and operation of the Water Diversion Project and shall have the right to supply raw water in the urban areas of Zhanjiang City (including the Supply Areas) for 30 years commencing from the date on which the Water Diversion Project commences commercial operation, which is 1 May 2023. As such, by entering into the Zhanjiang Water Supply Agreement, the Group is able to secure sale of raw water to a member of Guangdong Holdings group on a regular basis for a 30-year period corresponding to the Concession Period under the Concession Agreement, which will in turn provide stable and long-term income to the Group and secure return of investment committed by Zhanjiang Hedi Water Co in respect of the Water Diversion Project.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Zhanjiang Water Supply Agreement, the transactions contemplated thereunder and the relevant Proposed 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.

#### **INFORMATION ON ZHANJIANG HEDI WATER CO AND THE COMPANY**

Zhanjiang Hedi Water Co is a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company. It is principally engaged in distribution of water resources, raw water supply, investment, construction and operation of water projects. As at the date of this announcement, Zhanjiang Hedi Water Co is held as to:

- (i) 65% by 廣東粵海水務投資有限公司 (Guangdong Yuehai Water Investment Co., Ltd.\*), an indirect wholly-owned subsidiary of the Company; and
- (ii) 35% by 湛江市交通投資集團有限公司 (Zhanjiang City Traffic Investment Group Co., Ltd.\*), which, in turn, is owned as to 90% by Zhanjiang SASAC and 10% by the Guangdong Finance Department, respectively.

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.

#### **INFORMATION ON ZHANJIANG GDH WATER CO AND GUANGDONG HOLDINGS**

Zhanjiang GDH Water Co is a company established in the PRC with limited liability. It is principally engaged in water supply, pipeline installation, sale of iron, steel and plastic pipelines and testing of water quality, and is an indirect non-wholly owned subsidiary of Guangdong Holdings. As at the date of this announcement, Zhanjiang GDH Water Co is ultimately owned as to 51% and 49% by Guangdong Holdings and



Zhanjiang SASAC, respectively.

Guangdong Holdings is the ultimate controlling shareholder of the Company and is principally engaged in investment holding. Guangdong Holdings and its subsidiaries' business activities include public utilities and infrastructure, manufacturing, real estate, hotel, property management, retail and wholesale, finance, etc. Guangdong Holdings is held as to 90% by the Guangdong Government and as to 10% by the Guangdong Finance Department, respectively, 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.

## **LISTING RULES IMPLICATIONS**

Guangdong Holdings is the ultimate controlling shareholder of the Company and therefore, is a connected person of the Company. Zhanjiang GDH Water Co (being an indirect non-wholly owned subsidiary of Guangdong Holdings) is an associate of Guangdong Holdings and hence also a connected person of the Company. Accordingly, the entering into of the Zhanjiang Water Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed Caps set for the transactions contemplated under the Zhanjiang Water Supply Agreement exceed 0.1% but all of them are less than 5%, the Zhanjiang Water Supply Agreement and the transactions contemplated thereunder are therefore subject to the reporting, annual review and announcement requirements under the Listing Rules, but are exempt from the independent shareholders' approval and circular requirements under the Listing Rules.

Mr. Hou Wailin and Mr. Cai Yong, being the Directors, are also directors of Guangdong Holdings. Both of the above-named Directors, present at the relevant Board meeting, were not counted towards the quorum and abstained from voting on the relevant Board resolutions to approve the Zhanjiang Water Supply Agreement and the transactions contemplated 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 Zhanjiang Water Supply Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant Board resolutions.

As the term of the Zhanjiang Water Supply Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain why the Zhanjiang Water Supply Agreement requires a term longer than three years and to confirm that it is normal business practice for agreements of this type to be of such duration.

## **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;                                                                                                                                                                                                 |
| “Comparable Transactions”      | has the meaning ascribed to it under the section headed “Opinion from the Independent Financial Adviser” in this announcement;                                                                                                                                                                                                                                                  |
| “Concession Agreement”         | the raw water supply concession agreement dated 5 August 2019 and entered into between Zhanjiang Water Authority and Zhanjiang Hedi Water Co, pursuant to which Zhanjiang Hedi Water Co was granted a 30-year concession to supply raw water in the urban areas of Zhanjiang City commencing from the date on which the Water Diversion Project commences commercial operation; |
| “Concession Period”            | has the meaning ascribed to it under the section headed “Opinion from the Independent Financial Adviser” in this announcement;                                                                                                                                                                                                                                                  |
| “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 Finance Department” | 廣東省財政廳 (The Department of Finance of Guangdong Province*);                                                                                                                                                                                                                                                                                                                      |
| “Guangdong Government”         | the People’s Government of Guangdong Province in the PRC (中國廣東省人民政府);                                                                                                                                                                                                                                                                                                           |
| “Guangdong Holdings”           | 廣東粵海控股集團有限公司 (Guangdong Holdings Limited*), a company established in the PRC with limited liability and the ultimate holding company of the Company;                                                                                                                                                                                                                            |
| “Hedi Reservoir”               | the water reservoir located at 中國湛江廉江市河唇鎮 (Hechun Town, Lianjiang City, Zhanjiang, the PRC*);                                                                                                                                                                                                                                                                                   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC;                                                                                                                                                                                                                                                                                                                         |

|                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Independent Financial Adviser” | Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and has been appointed as the independent financial adviser pursuant to Rule 14A.52 of the Listing Rules in respect of the Zhanjiang Water Supply Agreement; |
| “Listing Rules”                 | the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;                                                                                                                                                                                                                                                                                                                                   |
| “Ministry of Water Resources”   | the Ministry of Water Resources (水利部) of the PRC;                                                                                                                                                                                                                                                                                                                                                                                    |
| “NDRC”                          | the National Development and Reform Commission* (國家發展和改革委員會) of the PRC;                                                                                                                                                                                                                                                                                                                                                             |
| “percentage ratios”             | has the meaning ascribed to it under the Listing Rules;                                                                                                                                                                                                                                                                                                                                                                              |
| “PRC”                           | the People’s Republic of China;                                                                                                                                                                                                                                                                                                                                                                                                      |
| “Proposed Cap(s)”               | has the meaning ascribed to it under the section headed “The Proposed Caps and Basis of Determination” in this announcement;                                                                                                                                                                                                                                                                                                         |
| “Raw Water Supply”              | has the meaning ascribed to it under the section headed “The Zhanjiang Water Supply Agreement” in this announcement;                                                                                                                                                                                                                                                                                                                 |
| “Raw Water Unit Price”          | has the meaning ascribed to it under the section headed “The Zhanjiang Water Supply Agreement” in this announcement;                                                                                                                                                                                                                                                                                                                 |
| “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;                                                                                                                                                                                                                                                                                                                                                                              |
| “Supply Areas”                  | namely (i) 霞山區 (Xiashan District*), (ii) 赤坎區 (Chikan District*), and (iii) 麻章區 (Mazhang District*) in Zhanjiang City, Guangdong Province, the PRC, which is subject to adjustments of administrative districts in the PRC and if such adjustments take place, shall refer to the adjusted administrative districts and its extension area;                                                                                           |

|                                            |                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Water Business”                           | has the meaning ascribed to it under the section headed “Opinion from the Independent Financial Adviser” in this announcement;                                                                                                                                                                                                              |
| “Water Diversion Project”                  | 湛江市引調水工程項目(the water diversion project of Zhanjiang City*), the purpose of which is to secure water supply in the urban areas of Zhanjiang City by constructing water pipes, water booster pumps, etc. and divert surface water in the Hedi Reservoir to the relevant water factories in Zhanjiang City;                                    |
| “Water Factories”                          | the water factories operated by Zhanjiang GDH Water Co, namely (i) 霞山水廠 (Xiashan Water Factory*) located at Xiashan District, Zhanjiang City, the PRC, (ii) 赤坎水廠 (Chikan Water Factory*) located at Chikan District, Zhanjiang City, the PRC, and (iii) 麻章水廠 (Mazhang Water Factory*) located at Mazhang District, Zhanjiang City, the PRC; |
| “Zhanjiang City Government”                | the People’s Government of Zhanjiang Municipality (湛江市人民政府) of the PRC;                                                                                                                                                                                                                                                                     |
| “Zhan Jiang Development and Reform Bureau” | the Zhan Jiang Development and Reform Bureau (湛江市發展和改革局) of the Zhanjiang City Government;                                                                                                                                                                                                                                                  |
| “Zhanjiang GDH Water Co”                   | 湛江市粵海自來水有限公司 (Zhanjiang City GDH Water Supply Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of Guangdong Holdings;                                                                                                                                                       |
| “Zhanjiang Hedi Water Co”                  | 湛江市鶴地供水營運有限公司 (Zhanjiang City Hedi Water Supply Operation Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company;                                                                                                                                                  |
| “Zhanjiang SASAC”                          | 湛江市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the People’s Government of Zhanjiang Municipality*);                                                                                                                                                                                                    |
| “Zhanjiang Water Authority”                | 湛江市水務局 (Zhanjiang Water Authority*) of the Zhanjiang City Government;                                                                                                                                                                                                                                                                       |

“Zhanjiang Water Supply Agreement”

the water supply agreement dated 28 April 2023 and entered into between Zhanjiang Hedi Water Co and Zhanjiang GDH Water Co in relation to the supply of raw water (also known as natural water) from Zhanjiang Hedi Water Co to Zhanjiang GDH Water Co, details of which are set out under the section headed “The Zhanjiang Water Supply Agreement” in this announcement; 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, 28 April 2023

*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 four Independent Non-Executive Directors, namely, Dr. CHAN Cho Chak, John, Mr. FUNG, Daniel R., Dr. the Honourable CHENG Mo Chi, Moses and Mr. LI Man Bun, Brian David.*