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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 TRANSACTIONS FACTORING AGREEMENTS

On 23 May 2023, Anguo Yuehai Co, Laiyuan Yuehai Co, Luanzhou Yuehai Co and Shahe Jiacheng Co (which are all indirect subsidiaries of the Company) (i.e., the Subsidiaries) individually entered into the Factoring Agreements with Yuehai Factoring Co (a wholly-owned subsidiary of Guangdong Holdings) in relation to the provision of factoring services by Yuehai Factoring Co to each of the Subsidiaries.

Guangdong Holdings (being the ultimate controlling shareholder of the Company) holds approximately 56.49% of the total number of shares of the Company in issue as at the date of this announcement, and therefore, is a connected person of the Company. Yuehai Factoring Co (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 Factoring Agreements constitute connected transactions of the Company under the Listing Rules.

All Factoring Agreements have been aggregated for the purpose of the Listing Rules on the basis that they all related to the provision of factoring services by Yuehai Factoring Co to the Group. On an aggregated basis, the highest applicable percentage ratio in respect of the transactions contemplated under the Factoring Agreements calculated pursuant to the Listing Rules exceeds 0.1% but all of them are less than 5% in accordance with Rule 14.07 of the Listing Rules. Accordingly, the Factoring Agreements are only subject to the reporting and announcement requirements under the Listing Rules, but are exempt from the circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

FACTORING AGREEMENTS

On 23 May 2023, Anguo Yuehai Co, Laiyuan Yuehai Co, Luanzhou Yuehai Co and Shahe Jiacheng Co (which are all indirect subsidiaries of the Company) (i.e., the Subsidiaries) individually entered into the Factoring Agreements with Yuehai Factoring Co (a wholly-owned subsidiary of Guangdong Holdings) in relation to the provision of factoring services by Yuehai Factoring Co to each of the Subsidiaries.

A summary of the salient terms of the Factoring Agreements is set out below:

Date: 23 May 2023

Parties: (1) Anguo Yuehai Co (as a party to the Anguo Yuehai Factoring Agreement);
(2) Laiyuan Yuehai Co (as a party to the Laiyuan Yuehai Factoring Agreement);
(3) Luanzhou Yuehai Co (as a party to the Luanzhou Yuehai Factoring Agreement);
(4) Shahe Jiacheng Co (as a party to the Shahe Jiacheng Factoring Agreement); and
(5) Yuehai Factoring Co (as a party to each of the Factoring Agreements).

Maximum loan amount: The maximum aggregate amounts which may be drawn by each of Anguo Yuehai Co, Laiyuan Yuehai Co, Luanzhou Yuehai Co and Shahe Jiacheng Co under its respective Factoring Agreement are RMB36,000,000, RMB24,000,000, RMB44,000,000 and RMB83,000,000, respectively.

The maximum aggregate amount which may be drawn under the Factoring Agreements shall be RMB187,000,000.

Term: A loan may be drawn by a Subsidiary during the period between the date of the Factoring Agreements and 31 December 2024. The term for each loan drawn is three years. Each loan shall be a term loan, and not a revolving loan.

**Transfer of
Accounts
Receivable:**

Under the factoring arrangement, in lieu of direct repayment of any loan drawn by a Subsidiary, such Subsidiary shall transfer to Yuehai Factoring Co its relevant accounts receivable in an amount corresponding to that loan.

When Anguo Yuehai Co draws a loan under the Anguo Yuehai Factoring Agreement, it shall transfer to Yuehai Factoring Co its accounts receivable (together with the benefits and rights attached) in an amount corresponding to that loan under the Anguo No.2 Sewage Treatment Plant (PPP Mode) Concession Agreement dated 30 May 2016 and the Anguo Sludge Treatment Facility (PPP Mode) Concession Agreement dated 2 December 2015 entered into with the Anguo Housing and Urban-Rural Development Bureau. The maximum aggregate amount of accounts receivable to be transferred is RMB36,000,000.

When Laiyuan Yuehai Co draws a loan under the Laiyuan Yuehai Factoring Agreement, it shall transfer to Yuehai Factoring Co its accounts receivable (together with the benefits and rights attached) in an amount corresponding to that loan under the Laiyuan Sewage Treatment Plant Concession Agreement dated 18 August 2015, the Supplementary Agreement to Laiyuan Sewage Treatment Plant Concession Agreement dated 12 July 2017 and the Second Supplementary Agreement to Laiyuan Sewage Treatment Plant Concession Agreement dated 21 March 2019 entered into with the Laiyuan Housing and Urban-Rural Development Bureau. The maximum aggregate amount of accounts receivable to be transferred is RMB24,000,000.

When Luanzhou Yuehai Co draws a loan under the Luanzhou Yuehai Factoring Agreement, it shall transfer to Yuehai Factoring Co its accounts receivable (together with the benefits and rights attached) in an amount corresponding to that loan under the Luanxian New Sewage Treatment Plant and Auxiliary Work Concession Agreement dated 27 August 2016 and the Luanzhou Sewage Treatment Plant Upgrading Project Services Concession Agreement dated June 2019 entered into with the Luanzhou Housing and Urban-Rural Development Bureau. The maximum aggregate amount of accounts receivable to be transferred is RMB44,000,000.

When Shahe Jiacheng Co draws a loan under the Shahe Jiacheng Factoring Agreement, it shall transfer its accounts receivable to Yuehai Factoring Co (together with the benefits and rights attached) in an amount corresponding to that loan under the Shahe Sewage Treatment PPP Project Contract dated 29 September 2016 and the Supplementary Contract to Shahe Sewage Treatment PPP Project Concession Contract dated 18 December 2020 entered into with the Shahe Comprehensive Administration and Law Enforcement of City Management Bureau. The maximum aggregate amount of accounts receivable to be transferred is RMB83,000,000.

The maximum aggregate amount of accounts receivable to be transferred under the Factoring Agreements shall be RMB187,000,000.

If a Subsidiary receives a payment pursuant to an invoice of the accounts receivable which has been transferred to Yuehai Factoring Co, it shall notify Yuehai Factoring Co and transfer accounts receivable in an amount not less than the amount of such payment to Yuehai Factoring Co.

If Yuehai Factoring Co does not receive a payment pursuant to an invoice of the accounts receivable when it falls due (taking into account any grace period (if any)), it may:

- (i) require the relevant Subsidiary to repay the principal and the interest for any loan which has been drawn; or
- (ii) require the relevant Subsidiary to repurchase the accounts receivable which have been transferred to Yuehai Factoring Co (which will in effect unwind the factoring arrangement).

Service fee:

The service fee payable to Yuehai Factoring Co under each of the Factoring Agreements shall be payable in cash and calculated in accordance with the following formula:

Service fee of each loan drawn per year = 4.65% x the amount drawn x the number of days between the drawdown date and (i) the date of receipt of the accounts receivable by Yuehai Factoring Co; or (ii) the date of receipt of the repayment of the loan by Yuehai Factoring Co, whichever is earlier / 360

The service fee shall be paid on a quarterly basis on 21 March, 21 June, 21 September and 21 December in each year.

The service fee was determined based on arm's length negotiations between the Subsidiaries and Yuehai Factoring Co with reference to, among other things, the maximum loan amount under each of the Factoring Agreements, the term, the creditworthiness of the Subsidiaries, the benchmark interest rates on term loans issued by the People's Bank of China, and the interest rates on historical and proposed term loans offered by external banks which are independent third parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FACTORING AGREEMENTS

According to Hebei Water Co's business development plan, it will have some significant expenditures in the next few months. Since the accounts receivable from the local governments will only gradually fall due, the Subsidiaries (which are all subsidiaries of Hebei Water Co) proposed to obtain factoring financing for the purpose of business development and repayment of existing loans. The Factoring Agreements will be able to preserve the working capital of Hebei Water Co and its subsidiaries. In particular, the Factoring Agreements will provide Hebei Water Co with immediately available funds for its operation and business development, and enable it to widen its financing means and improve its asset structure and capital efficiency.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Factoring Agreements and the transactions contemplated thereunder 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 (being the ultimate controlling shareholder of the Company) holds approximately 56.49% of the total number of shares of the Company in issue as at the date of this announcement, and therefore, is a connected person of the Company. Yuehai Factoring Co (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 Factoring Agreements constitute connected transactions of the Company under the Listing Rules.

All Factoring Agreements have been aggregated for the purpose of the Listing Rules on the basis that they all related to the provision of factoring services by Yuehai Factoring Co to the Group. On an aggregated basis, the highest applicable percentage ratio in respect of the transactions contemplated under the Factoring Agreements calculated pursuant to the Listing Rules exceeds 0.1% but all of them are less than 5% in accordance with Rule 14.07 of the Listing Rules. Accordingly, the Factoring Agreements are only subject to the reporting and announcement requirements under the Listing Rules, but are exempt from the circular and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Mr. Hou Wailin and Mr. Cai Yong, being the Directors, are directors of Guangdong Holdings. The above-named Directors were not present at the relevant Board meeting for approving the Factoring Agreements 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 Factoring Agreements and the transactions contemplated thereunder and were required to abstain from voting on the relevant Board resolutions.

INFORMATION ON PARTIES

Information on the Group, Hebei Water Co and each of the Subsidiaries

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.

Hebei Water Co is a company established in the PRC with limited liability and a subsidiary of the Company. Hebei Water Co is principally engaged in environmental engineering in Henan Province and Hebei Province, the PRC, with twelve sewage plants, one water treatment plant, and a water treatment capacity of approximately 518,000 tons per day (including 20,000 tons per day of tap water). It is an integrated service provider in public utilities including but not limited to municipal water supply and drainage, industrial wastewater treatment and water environment ecological improvement, regional and watershed integrated management. Hebei Water Co runs its operations in (among others) each of Anguo City, Laiyuan County, Luanzhou City and Shahe City in Hebei Province, the PRC, through each of Anguo Yuehai Co, Laiyuan Yuehai Co, Luanzhou Yuehai Co and Shahe Jiacheng Co, respectively. Each of them is a company established in the PRC with limited liability and a subsidiary of Hebei Water Co (and in turn a subsidiary of the Company).

Information on Yuehai Factoring Co

Yuehai Factoring Co is a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Holdings. It is principally engaged in the provision of factoring services.

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 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. Guangdong Holdings is the ultimate controlling shareholder of the Company.

DEFINITIONS

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

“Anguo Yuehai Co”	安國粵海環保有限公司 (Anguo Yuehai Environmental Protection Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of the Company;
“Anguo Yuehai Factoring Agreement”	the factoring agreement dated 23 May 2023 entered into between Anguo Yuehai Co and Yuehai Factoring Co in relation to the provision of factoring services by Yuehai Factoring Co to Anguo Yuehai Co;
“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;
“Factoring Agreements”	the Anguo Yuehai Factoring Agreement, the Laiyuan Yuehai Factoring Agreement, the Luanzhou Yuehai Factoring Agreement and the Shahe Jiacheng Factoring Agreement;
“Group”	the Company and its subsidiaries;
“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 and the ultimate controlling shareholder of the Company;

“Heibei Water Co”	河北粵海水務集團有限公司 (Hebei Guangdong Water Group Co., Ltd.*), a company established in the PRC with limited liability and a subsidiary of the Company;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Laiyuan Yuehai Co”	淶源粵海環保有限公司 (Laiyuan Yuehai Environmental Protection Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of the Company;
“Laiyuan Yuehai Factoring Agreement”	the factoring agreement dated 23 May 2023 entered into between Laiyuan Yuehai Co and Yuehai Factoring Co in relation to the provision of factoring services by Yuehai Factoring Co to Laiyuan Yuehai Co;
“Luanzhou Yuehai Co”	瀘州粵海環保有限公司 (Luanzhou Yuehai Environmental Protection Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of the Company;
“Luanzhou Yuehai Factoring Agreement”	the factoring agreement dated 23 May 2023 entered into between Luanzhou Yuehai Co and Yuehai Factoring Co in relation to the provision of factoring services by Yuehai Factoring Co to Luanzhou Yuehai Co;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shahe Jiacheng Co”	沙河市嘉誠環境工程有限公司 (Shahe Jiacheng Environmental Engineering Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of the Company;
“Shahe Jiacheng Factoring Agreement”	the factoring agreement dated 23 May 2023 entered into between Shahe Jiacheng Co and Yuehai Factoring Co in relation to the provision of factoring services by Yuehai Factoring Co to Shahe Jiacheng Co;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Subsidiaries”	Anguo Yuehai Co, Laiyuan Yuehai Co, Luanzhou Yuehai Co and Shahe Jiacheng Co; and
“Yuehai Factoring Co”	粵海商業保理有限公司 (Yuehai Commercial Factoring Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Holdings.

** 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, 23 May 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.