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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)

ANNOUNCEMENT PURSUANT TO RULE 14.36 OF THE LISTING RULES

**THE THIRD SUPPLEMENTAL AGREEMENT
IN RELATION TO THE YINPING PROJECT**

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YINPING PROJECT**

On 31 May 2023, Yinping Co (being a wholly-owned subsidiary of the Company and the operator of the Yinping Project) and the Xiegang Government entered into the Third Supplemental Agreement for the purpose of amending the Cooperation Agreement.

LISTING RULES IMPLICATIONS

The Company is of the view that the entering into of the Third Supplemental Agreement between Yinping Co (being a wholly-owned subsidiary of the Company and the operator of the Yinping Project) and the Xiegang Government constitutes material variations to the terms of the Cooperation Agreement which were previously announced by the Company on 8 June 2016 in accordance with Chapter 14 of the Listing Rules and such variations are, therefore, required to be disclosed pursuant to Rule 14.36 of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 8 June 2016 (the “**Previous Announcement**”) in relation to the Yinping Project. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Previous Announcement.

As disclosed in the Previous Announcement, on 8 June 2016, the Company entered into the Cooperation Agreement with the Xiegang Government in respect of the Yinping Project, which is a Public-Private-Partnership (commonly known as “**PPP**”) project in the Yinping Innovation Zone* (銀瓶創新區) in Dongguan, Guangdong Province, the PRC (the Company being the successful bidder). The Yinping Project comprises the construction of the Project Roads and the related ancillary support services such as drainage, greening and lighting. Under the Cooperation Agreement, the Group shall be

responsible for providing the Development Costs (being the funding for the development of the Project Roads). The Yinping Project's total Development Costs shall not exceed RMB 4.754 billion. The amounts payable by the Xiegang Government to Yinping Co in respect of each Project Road under the Cooperation Agreement comprise the Development Costs, the Return, the Management Fee and the Maintenance Fee (the "**Overall Service Fees**"), as follows:

- (1) the repayment of the Development Costs by 10 annual instalments throughout the Maintenance Period (being ten years from the acceptance of the Project Road by the Xiegang Government);
- (2) the Return calculated at the rate of:
 - (i) 8% (compounded annually) of each amount disbursed by Yinping Co (such amounts together constitute the Development Costs for such Project Road) accrued from the date of disbursement of each such amount until the end of the Development Period (being the period of construction of the Project Road) of the relevant Project Road. This amount (being the Accrued Interest Amount) will be paid by 10 annual instalments throughout the Maintenance Period of that Project Road; and
 - (ii) 8% per annum (on a reducing balance basis, because, as indicated in paragraphs (1) and (2)(i) above and paragraph (3) below, the Development Costs, the Accrued Interest Amount and the Management Fee will be paid by 10 instalments) of the aggregate of the then outstanding Development Costs, Accrued Interest Amount and the Management Fee over the Maintenance Period;
- (3) the Management Fee equal to 2.5% of the Development Costs to be paid by 10 annual instalments throughout the Maintenance Period; and
- (4) the Maintenance Fee equal to 1.1% of the Development Costs, which will be paid annually over the Maintenance Period.

The Company, Yinping Co and the Xiegang Government entered into the First Supplemental Agreement to acknowledge that Yinping Co (a wholly-owned subsidiary of the Company) was established as the operator to undertake the rights and responsibilities of the Company under the Cooperation Agreement. Yinping Co and the Xiegang Government entered into the Second Supplemental Agreement to acknowledge that the Overall Service Fees of the Yinping Project (which were previously included in the cross-year medium and long-term fiscal budgets of the Dongguan Municipal People's Government), became included in the medium and long-term fiscal planning of the Dongguan Municipal People's Government. Since the Xiegang Government's payment obligations under the Cooperation Agreement remained unchanged, the Company considered that the entering into of the aforesaid supplemental agreements did not constitute any material variations to the terms of the Cooperation Agreement, and therefore, no disclosures were made pursuant to Rule 14.36 of the Listing Rules.

THE THIRD SUPPLEMENTAL AGREEMENT IN RELATION TO THE YINPING PROJECT

In November 2017, the General Office of the Ministry of Finance issued the "Notice on

Regulating the Management of the Public-Private Partnership (PPP) Comprehensive Information Platform Project Database (No. 92 [2017] of the General Office of the Ministry of Finance)* (《關於規範政府和社會資本合作 (PPP) 綜合信息平台項目庫管理的通知》財辦金[2017] 92 號)” (the “**Notice**”), and in March 2019, the Ministry of Finance issued the “Implementation Opinions on Promoting the Standardized Development of Public-Private Partnerships (No. 10 [2019] of the Ministry of Finance)* (《關於推進政府和社會資本合作規範發展的實施意見》財金[2019] 10 號)” (the “**Implementation Opinions**”) (the Notice and the Implementation Opinions shall collectively be referred to as the “**Regulatory Documents**”). Pursuant to the Regulatory Documents, all payments for Public-Private Partnerships projects shall be subject to performance assessment. In that respect, the Xiegang Government has recently required Yinping Co to implement the relevant measures under the Regulatory Documents, which includes measures linking the payment of project costs to performance assessment to be conducted by the relevant government authorities in assessing payments for its PPP projects, including the amounts payable under the Cooperation Agreement. Accordingly, Yinping Co (being a wholly-owned subsidiary of the Company and the operator of the Yinping Project) and the Xiegang Government agreed to enter into the Third Supplemental Agreement, pursuant to which the Cooperation Agreement shall be supplemented and amended to the effect that:

- (a) payments to be made for the Yinping Project shall be subject to performance assessment, which comprises performance assessment with respect to works during (i) the Development Period (the “**Development Period Performance Assessment**”) and (ii) the Maintenance Period (the “**Maintenance Period Performance Assessment**”), in respect of each Project Road;

1. *Development Period Performance Assessment*

- (b) details of the Development Period Performance Assessment are as follows:

- (i) the Development Period Performance Assessment shall be conducted in respect of each Project Road in three aspects, namely “output” (輸出), “effect” (效果) and “management” (管理) (each as detailed below), and these account for 75 points, 20 points and 5 points, respectively of the total score (the “**Assessment Score**”) under the Development Period Performance Assessment (being 100 points in total);
- (ii) in relation to the “output” aspect, the assessment criteria is whether the relevant Project Road meets the delivery and acceptance standards for construction projects in accordance with the relevant laws and regulations of the PRC, the Guangdong Province and Dongguan City, as updated from time to time (the “**Standards**”). If the Project Road meets the Standards, the Assessment Score of the Development Period Performance Assessment in this aspect shall be 75, being the full score of the “output” aspect. If the Project Road fails to meet the Standards, Yinping Co shall make rectification within the time determined by the project acceptance team. If the Project Road meets the Standards after rectification, the Assessment Score of the Development Period Performance Assessment in this aspect shall be 75. If however, the Project Road fails to meet the Standards after three rectification attempts and the agreed Development Period has elapsed, the Assessment Score of the Development Period Performance Assessment in this aspect shall be 0;

- (iii) in relation to the “effect” aspect, the assessment criteria is during the Development Period, whether there is any engineering construction safety related incident, whether any Project Road is reported or penalized due to irregularities in construction (不文明施工), whether construction of the Project Roads is in compliance with the applicable “green construction” standards and environmental sanitation requirements under the Standard for Environment and Sanitation of Construction Site (《建設工程施工現場環境與衛生標準》) issued by the Ministry of Housing and Urban-Rural Development of the PRC, and whether Yinping Co is ready to operate the Project Roads within 60 days after delivery and acceptance of such Project Roads. If any of the above criteria is not satisfied, point(s) will be deducted from the Assessment Score of the Development Period Performance Assessment in this aspect;
- (iv) in relation to the “management” aspect, the assessment criteria is whether the documentation management in respect of the Project Roads is complete and authentic, whether the relevant documents are filed and organized timely, and whether Yinping Co has timely and accurately fulfilled its information disclosure obligation. If any of the above criteria is not satisfied, point(s) will be deducted from the Assessment Score of the Development Period Performance Assessment in this aspect; and
- (v) the Development Period Performance Assessment shall be conducted by the Performance Assessment Department or any third party invited by the Xiegang Government.
- (c) the Assessment Score arrived at after the conduct of the performance assessment will yield an application ratio (the “**Applicable Ratio**”) for the relevant Project Road, as set out below:

No.	Development Period Performance Assessment	
	Assessment Score (N)	Applicable Ratio
1	$80 \leq N \leq 100$	1
2	$70 \leq N < 80$	0.98
3	$60 \leq N < 70$	0.95
4	$N < 60$	If the Assessment Score of the Development Period Performance Assessment is below 60, Yinping Co shall make rectification based on the Xiegang Government’s assessment opinion. If the rectification is completed, the Applicable Ratio of the Development Period Performance Assessment shall be 0.9. If Yinping Co does not make the necessary rectification or receives an Assessment Score of the Development Period Performance Assessment of under 60 after two rectification attempts, the Xiegang Government is entitled to assign “0” as the Applicable Ratio of the Development Period Performance Assessment.

2. *Maintenance Period Performance Assessment*

- (d) with respect to the Maintenance Period Performance Assessment, while the assessment criteria under the Cooperation Agreement remains unchanged, the Applicable Ratio yielded from the result of the performance assessment shall be amended as follows:

No.	Maintenance Period Performance Assessment	
	Assessment Score (N)	Applicable Ratio
1	$80 \leq N \leq 100$	1
2	$70 \leq N < 80$	0.95
3	$60 \leq N < 70$	0.90
4	$N < 60$	If rectification is carried out within the relevant timeframe, while the Assessment Score of the Maintenance Period Performance Assessment is still under 60 after the rectification, the Applicable Ratio shall be the Assessment Score of the Maintenance Period Performance Assessment divided by 80.

- (e) the formula for calculating the amounts payable to Yinping Co for each forthcoming year is as follows:

- (i) Availability Service Fee (being the sum of the Development Costs, the Return and the Management Fee)

The Availability Service Fee with respect to each Project Road payable for the current year = the pre-assessment Availability Service Fee for the current year \times 70% \times the Applicable Ratio of the Development Period Performance Assessment for the current year + the pre-assessment Availability Service Fee for the current year \times 30% \times the Applicable Ratio of the Maintenance Period Performance Assessment for the current year

- (ii) Maintenance Fee

The Maintenance Fee with respect to each Project Road payable for the current year = the pre-assessment Maintenance Fee for the current year \times the Applicable Ratio of the Maintenance Period Performance Assessment for the current year

Save as disclosed above, all other terms and conditions of the Cooperation Agreement remain unchanged and shall continue to be in full force and effect. Any Availability Service Fee and the Maintenance Fee received from the Xiegang Government over the past financial years will not be adjusted due to the signing of the Third Supplemental Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE THIRD SUPPLEMENTAL AGREEMENT IN RELATION TO THE YINPING PROJECT

Pursuant to the Regulatory Documents, all payments for Public-Private Partnerships projects shall be subject to performance assessment. In that respect, the Xiegang

Government has recently required Yinping Co to implement the relevant measures under the Regulatory Documents, which includes measures linking the payment of project costs to performance assessment to be conducted by the relevant government authorities in assessing payments for its PPP projects, including the amounts payable under the Cooperation Agreement. Accordingly, Yinping Co and the Xiegang Government agreed to enter into the Third Supplemental Agreement. As such, future payment of project costs in respect of the Yinping Project will be made in accordance with the Regulatory Documents. Although the Development Period Performance Assessment and the Maintenance Period Performance Assessment may affect the Group's future returns from the Yinping Project, Yinping Co will take measures to further strengthen the development and maintenance of the Project Roads in particular the "output", "effect" and "management" aspects as abovementioned, and aim to achieve high Assessment Scores.

The Directors (including the independent non-executive Directors) consider that the terms of the Third Supplemental Agreement were arrived at after arm's length negotiations between the Company and the Xiegang Government. In view of the above, the Directors are of the view that the terms of the Third Supplemental Agreement are on normal commercial terms and the entering into of the Third Supplemental Agreement is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON YINPING CO

Yinping Co is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in development, engineering design, construction and operation management of roads, landscaping, transportation and other infrastructure projects, as well as providing the relevant consultancy services.

LISTING RULES IMPLICATIONS

The Company is of the view that the entering into of the Third Supplemental Agreement between Yinping Co (being a wholly-owned subsidiary of the Company and the operator of the Yinping Project) and the Xiegang Government constitutes material variations to the terms of the Cooperation Agreement which were previously announced by the Company on 8 June 2016 in accordance with Chapter 14 of the Listing Rules and such variations are, therefore, required to be disclosed pursuant to Rule 14.36 of the Listing Rules.

DEFINITIONS

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

“Applicable Ratio”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project – 1. Development Period Performance Assessment” in this announcement;
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“Assessment Score”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project – 1. Development Period Performance Assessment” in this announcement;
“Availability Service Fee”	equals the sum of the Development Costs, the Return and the Management Fee, which will be paid annually by the Xiegang Government to Yinping Co throughout the Maintenance Period;
“Cooperation Agreement”	the cooperation agreement dated 8 June 2016 entered into between the Company and the Xiegang Government in respect of the Yinping Project (as supplemented and amended by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement, and a reference to the Cooperation Agreement may mean such agreement as amended at the relevant time);
“Development Period Performance Assessment”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project” in this announcement;
“First Supplemental Agreement”	the first supplemental agreement dated 17 January 2017 entered into among the Company, Yinping Co and the Xiegang Government in respect of the Yinping Project;
“General Office of the Ministry of Finance”	the General Office of the Ministry of Finance of the PRC;
“Implementation Opinions”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project” in this announcement;
“Maintenance Period Performance Assessment”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project” in this announcement;
“Ministry of Finance”	the Ministry of Finance of the PRC;
“Notice”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project” in this announcement;
“Overall Service Fees”	has the meaning as ascribed to it in the section headed “Background” in this announcement;

“Performance Assessment Department”	the department that conducts the Development Period Performance Assessment and the Maintenance Period Performance Assessment of the Project Roads authorised by the Xiegang Government;
“PRC”	the People’s Republic of China;
“Previous Announcement”	the announcement of the Company dated 8 June 2016;
“Regulatory Documents”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project” in this announcement;
“Second Supplemental Agreement”	the second supplemental agreement dated 11 December 2018 entered into between Yinping Co and the Xiegang Government in respect of the Yinping Project;
“Standards”	has the meaning as ascribed to it in the section headed “The Third Supplemental Agreement in Relation to the Yinping Project – 1. Development Period Performance Assessment” in this announcement;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Third Supplemental Agreement”	the third supplemental agreement dated 31 May 2023 entered into between Yinping Co and the Xiegang Government in respect of the Yinping Project;
“Yinping Co”	Dongguan Yuehai Yinping Development and Construction Limited* (東莞粵海銀瓶開發建設有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company; and
“Yinping Project”	a Public-Private-Partnership project for the development of certain public roads (which are not toll roads) in Yinping Innovation Zone* (銀瓶創新區) in Dongguan, Guangdong, the PRC, the details of which are set out in the announcement of the Company dated 8 June 2016.

** 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, 31 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.