
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in Guangzhou Investment Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

CONNECTED AND SHARE TRANSACTIONS

**Independent financial adviser to the independent board committee
and the independent shareholders of Guangzhou Investment Company Limited**



Yu Ming Investment Management Limited

A letter from the board of directors of Guangzhou Investment Company Limited (the “**Company**”) is set out on pages 5 to 16 of this circular. A letter from the independent board committee of the Company is set out on pages 17 to 18 of this circular. A letter from Yu Ming Investment Management Limited, the independent financial adviser to the independent board committee and the independent shareholders of the Company is set out on pages 19 to 24 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong on Monday, 6 August 2007 at 9:45 a.m. is set out on pages 40 to 42 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s share registrar, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of Guangzhou Investment Company Limited or any adjustment thereof should you so wish.

20 July 2007

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DEFINITIONS

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

“Agreements”	collectively, the Supreme Eagle SP Agreement, the Lucken SP Agreement and the Property Acquisition Agreement;
“Announcement”	the announcement of the Company in relation to, inter alia, the Agreements;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong;
“BVI”	British Virgins Islands;
“Company”	Guangzhou Investment Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange and the Singapore Exchange Securities Trading Limited;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Consideration Shares”	collectively, the Supreme Eagle Consideration Shares, the Lucken Consideration Shares and the Property Consideration Shares, the aggregate amount of which is 257,000,000 Shares;
“Directors”	the directors of the Company;
“EGM”	an extraordinary general meeting to be convened on 6 August 2007, or any adjournment thereof;
“Glory Mission”	Glory Mission Development Limited, a company incorporated in Hong Kong which is an indirect wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hi-Watt”	Hi-Watt Battery Industry Co. Ltd., a company incorporated in Hong Kong which is wholly-owned by Yue Xiu;
“Hi-Watt Property I”	the property situated at Ground Floor and First Floor of Block A, Hi-Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong;
“Hi-Watt Property II”	the property situated at Hi-Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong (excluding Hi-Watt Property I);

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the committee of the Board comprising all of the independent non-executive Directors (namely, Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose) established for the purpose of considering and advising the Independent Shareholders in connection with the Agreements;
“Independent Shareholders”	shareholders of the Company (other than Yue Xiu (being a substantial shareholder, and hence a connected person, of the Company having a material interest in the Agreements and the transactions thereunder) and its associate(s));
“Last Trading Day”	the last full trading day immediately before the suspension of trading in the Shares pending the release of the Announcement (i.e., 5 July 2007);
“Latest Practicable Date”	18 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Lucken”	Lucken Limited, a company incorporated in Hong Kong which is the legal and beneficial owner of the Tung Yuen Property;
“Lucken Completion”	completion of the Lucken SP Agreement;
“Lucken Completion Date”	2 Business Days after all the condition precedents of the Lucken SP Agreement are fulfilled or waived in accordance with the terms of the Lucken SP Agreement (or such later date as the parties to the Lucken SP Agreement may agree in writing);
“Lucken Consideration Shares”	70,984,419 new Shares to be issued at the issue price of HK\$1.995 per Share for the partial settlement of the consideration payable for the acquisition of the Lucken Sale Shares and the assignment of the Lucken Shareholder’s Loan pursuant to the Lucken SP Agreement;
“Lucken Sale Shares”	the 3 shares of par value of HK\$1.00 each in the share capital of Lucken, which together represent the entire issued share capital of Lucken;

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“Lucken Shareholder’s Loan”	the aggregate amount of loan which is due and owing by Lucken to Yue Xiu as at the Lucken Completion Date, which loan is interest-free and repayable on demand;
“Lucken SP Agreement”	the agreement dated 9 July 2007 entered into among Yue Xiu International, Success Hill and the Company in respect of the sale and purchase of the entire issued share capital of Lucken;
“Properties”	collectively, Hi-Watt Property I, Tung Yuen Property and Hi-Watt Property II;
“Property Acquisition Agreement”	the agreement dated 9 July 2007 entered into between Hi-Watt, Glory Mission and the Company in respect of the sale and purchase of Hi-Watt Property II;
“Property Acquisition Completion Date”	2 Business Days after all the conditions precedent to the Property Acquisition Agreement are fulfilled or waived in accordance with the terms of the Property Acquisition Agreement or such other day as may from time to time be agreed in writing by and between the parties to the Property Acquisition Agreement;
“Property Consideration Shares”	159,420,819 new Shares to be issued at the issue price of HK\$1.995 per Share for the partial settlement of the consideration payable for the acquisition of Hi-Watt Property II pursuant to the Property Acquisition Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Success Hill”	Success Hill Holdings Limited, a company incorporated in the BVI which is a direct wholly-owned subsidiary of the Company;
“Success Hill Lease Agreement”	the lease agreement dated 1 January 2007 entered into between Yue Xiu International as landlord and Yue Xiu Cold Storage & Warehousing Limited as tenant in respect of the lease of the Tung Yuen Property, which will be assigned to Success Hill upon completion of the Agreements;
“Supreme Eagle”	Supreme Eagle Trading Limited, a company incorporated in the BVI which is beneficially interested in the entire issued share capital of Hoover (China) Limited, which in turn is the legal and beneficial owner of Hi-Watt Property I;

DEFINITIONS

“Supreme Eagle Completion”	completion of the Supreme Eagle SP Agreement;
“Supreme Eagle Completion Date”	2 Business Days after all of the condition precedents of the Supreme Eagle SP Agreement are fulfilled or waived in accordance with the terms of the Supreme Eagle SP Agreement (or such later date as the parties to the Supreme Eagle SP Agreement may agree in writing);
“Supreme Eagle Consideration Shares”	26,594,762 new Shares to be issued at the issue price of HK\$1.995 per Share for the partial settlement of the consideration payable for the acquisition of the Supreme Eagle Sale Share and the assignment of the Supreme Eagle Shareholder’s Loan pursuant to the Supreme Eagle SP Agreement;
“Supreme Eagle Sale Share”	the 1 share of par value of US\$1.00 in the share capital of Supreme Eagle, representing the entire issued share capital of Supreme Eagle;
“Supreme Eagle Shareholder’s Loan”	the aggregate amount of shareholder’s loan which is due and owing by Supreme Eagle to Yue Xiu as at the Supreme Eagle Completion Date, which loan is interest-free and repayable on demand;
“Supreme Eagle SP Agreement”	the agreement dated 9 July 2007 entered into among Yue Xiu, Success Hill and the Company in respect of the sale and purchase of the entire issued share capital of Supreme Eagle;
“Tung Yuen Property”	the property situated at 16 Tung Yuen Street, Yau Tong Bay, Kowloon, Hong Kong;
“Yu Ming”	Yu Ming Investment Management Limited, (a licensed corporation to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) under SFO), a company incorporated in Hong Kong with limited liability;
“Yue Xiu”	Yue Xiu Enterprises (Holdings) Limited, a substantial shareholder of the Company, which together with its associates hold approximately 45.124% of the entire issued share capital of the Company as at the date of the Announcement;
“Yue Xiu International”	Yue Xiu International Development Limited, a company incorporated in Hong Kong which is a direct wholly-owned subsidiary of Yue Xiu; and
“%”	per cent.

LETTER FROM THE BOARD



越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

Executive Directors:

OU Bingchang (*Chairman*)

LIANG Yi

LI Fei

TANG Shouchun

WANG Hongtao

LI Xinmin

HE Zili

ZHOU Jin

Registered Office:

26th Floor, Yue Xiu Building

160 Lockhart Road

Wanchai

Hong Kong

Independent non-executive Directors:

YU Lup Fat Joseph

LEE Ka Lun

LAU Hon Chuen Ambrose

20 July 2007

To the shareholders of the Company

Dear Sir or Madam,

CONNECTED AND SHARE TRANSACTIONS

INTRODUCTION

On 9 July 2007, the Company announced that the Group entered into the Agreements with Yue Xiu and/or its associates. As stated in the Announcement, Success Hill, a direct wholly-owned subsidiary of the Company, entered into the Supreme Eagle SP Agreement and the Lucken SP Agreement with Yue Xiu and/or its associates, and Glory Mission, an indirect wholly-owned subsidiary of the Company, entered into the Property Acquisition Agreement with an associate of Yue Xiu.

As at the Latest Practicable Date, Yue Xiu and its associates held approximately 45.124% of the entire issued share capital of the Company. Since Yue Xiu is interested in the entire issued share capital of Yue Xiu International and Hi-Watt, Yue Xiu International and Hi-Watt are connected persons of the Company. As the applicable percentage ratios in respect of the transactions contemplated under the Agreements, when aggregated under Rule 14A.25 of the Listing Rules, exceed 2.5% but are less than 5%, the Agreements constitute connected transactions of the Company which are subject to

LETTER FROM THE BOARD

reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Since part of the consideration under each of the Agreements will be satisfied by the allotment and issue of the Consideration Shares by the Company, the Agreements also constitute share transactions of the Company under Rule 14.06(1) of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Agreements. Yu Ming has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements are fair and reasonable and whether the Agreements are in the interests of the Company and its shareholders as a whole.

The purpose of this circular is to provide the Independent Shareholders with further information in relation to the Agreements as required under the Listing Rules, so as to enable the Independent Shareholders to make an informed decision to vote on the relevant ordinary resolutions set out in the Company's notice of the EGM as set out at the end of this circular. A letter from the Independent Board Committee and its recommendations to the Independent Shareholders is set out on pages 17 to 18 of this circular. The opinion letter from Yu Ming is set out on pages 19 to 24 of this circular. A valuation report on the Properties proposed to be acquired by the Group is set out in Appendix I.

THE SUPREME EAGLE SP AGREEMENT

Date : 9 July 2007

Parties (i) Success Hill, a direct wholly-owned subsidiary of the Company (as purchaser);
(ii) Yue Xiu (as vendor); and
(iii) the Company.

Interests to be acquired:

Pursuant to the Supreme Eagle SP Agreement, Yue Xiu has agreed to sell the Supreme Eagle Sale Share, and to assign the Supreme Eagle Shareholder's Loan, to Success Hill.

Consideration:

The total consideration for the sale of Supreme Eagle Sale Share and the assignment of the Supreme Eagle Shareholder's Loan shall be settled in the following manner upon the Supreme Eagle Completion:

- (i) Success Hill shall pay to Yue Xiu HK\$16,348,534 in cash; and
- (ii) the Company shall issue and allot to Yue Xiu (or its nominee) 26,594,762 new Shares at a price of HK\$1.995 per Consideration Share.

The cash consideration is intended to be funded by internal resources of the Group.

LETTER FROM THE BOARD

The consideration for the Supreme Eagle Sale Share (being the consideration of HK\$69,405,084 less the face value of the Supreme Eagle Shareholder's Loan as at the Supreme Eagle Completion Date) was determined after arm's length negotiations between the parties with reference to the draft valuation report on Hi-Watt Property I prepared by a qualified independent valuer. The finalised valuation report is set out in Appendix I to this circular. The values of Hi-Watt Property I shown in the draft valuation report and the finalised valuation report are the same. The consideration for the Supreme Eagle Shareholder's Loan represents the face value of the Supreme Eagle Shareholder's Loan. The Supreme Eagle Shareholder's Loan amounted to approximately HK\$63,278,000 as at 31 May 2007.

Conditions precedent:

Completion of the Supreme Eagle SP Agreement is conditional upon:

- (i) the warranties given by Yue Xiu under the Supreme Eagle SP Agreement remaining true and accurate and not misleading in all respects;
- (ii) Success Hill being satisfied with the results of the due diligence conducted on Supreme Eagle and its subsidiary, Hoover (China) Limited;
- (iii) Yue Xiu having complied fully with the pre-completion obligations and otherwise having performed all of the covenants and deeds required to be performed by it under the Supreme Eagle SP Agreement;
- (iv) all necessary consents being granted by third parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Supreme Eagle Sale Share and the assignment of the Supreme Eagle Shareholder's Loan or the operation of Supreme Eagle or Hoover (China) Limited after the Supreme Eagle Completion having been proposed, enacted or taken by any governmental or official authority;
- (v) all of the condition precedents to the Lucken SP Agreement having been fulfilled or waived (as the case may be) pursuant to the terms of the Lucken SP Agreement and all of the condition precedents to the Property Acquisition Agreement having been fulfilled or waived (as the case may be) pursuant to the terms of the Property Acquisition Agreement;
- (vi) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Supreme Eagle SP Agreement and the transactions contemplated therein (including but not limited to the acquisition of the Supreme Eagle Sale Share, the assignment of the Supreme Eagle Shareholder's Loan and the allotment and issue of the Supreme Eagle Consideration Shares under a specific mandate); and
- (vii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Supreme Eagle Consideration Shares.

Success Hill may waive any of the conditions set out in paragraphs (i) to (v) above.

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If any of the conditions above is not fulfilled or waived prior to 9 September 2007 (or such other date as the parties may agree in writing), Success Hill may, among other things, rescind the Supreme Eagle SP Agreement. In the event that the Supreme Eagle SP Agreement is rescinded, the provisions of the Supreme Eagle SP Agreement will have no effect and no party shall have any liability under it (without prejudice to the rights of any part in respect of antecedent breaches).

None of the Conditions stated above has been fulfilled as at the Latest Practicable Date.

Completion of the Supreme Eagle SP Agreement:

Completion of the Supreme Eagle SP Agreement shall take place on the Supreme Eagle Completion Date simultaneous with the Lucken Completion and the completion of the Property Acquisition Agreement.

Information on Supreme Eagle:

Supreme Eagle is a company incorporated with limited liability in the BVI and is wholly-owned by Yue Xiu. The principle business of Supreme Eagle is investment holding. The unaudited consolidated net liabilities of Supreme Eagle amounted to approximately HK\$878,000 as at 31 May 2007. The unaudited consolidated net loss of Supreme Eagle, both before and after tax, was approximately HK\$878,000 for the period from 15 August 2006 (i.e., the date of incorporation of Supreme Eagle) to 31 May 2007. The sole asset of Supreme Eagle is Hi-Watt Property I. Supreme Eagle obtained a shareholder's loan from Yue Xiu for the acquisition of Hi-Watt Property I in 2007. Such shareholder's loan amounted to approximately HK\$63,278,000 as at 31 May 2007. The consolidated net loss of Supreme Eagle for the period from 15 August 2006 to 31 March 2007 was mainly attributed to the acquisition expenses of Hi-Watt Property I. The consolidated liability of Supreme Eagle consists solely of the shareholder's loan due to Yue Xiu.

Supreme Eagle is beneficially interested in the entire issued share capital of Hoover (China) Limited, which in turn is the legal and beneficial owner of Hi-Watt Property I. The sole asset of Hoover (China) Limited is Hi-Watt Property I. Please refer to the section headed "Information on the Properties" for details of Hi-Watt Property I.

THE LUCKEN SP AGREEMENT

Date: 9 July 2007

Parties: (i) Success Hill, a direct wholly-owned subsidiary of the Company (as purchaser);
(ii) Yue Xiu International, a wholly-owned subsidiary of Yue Xiu, and Yue Xiu (as vendors); and
(iii) the Company.

LETTER FROM THE BOARD

Interests to be acquired:

Pursuant to the Lucken SP Agreement, Yue Xiu International has agreed to sell the Lucken Sale Shares, and Yue Xiu has agreed to assign the Lucken Shareholder's Loan, to Success Hill.

Consideration:

The total consideration for the sale of the Lucken Sale Shares and the assignment of the Lucken Shareholder's Loan shall be settled in the following manner upon the Lucken Completion:

- (i) Success Hill shall pay to Yue Xiu International and Yue Xiu (or as they may direct) HK\$43,636,084 in cash; and
- (ii) the Company shall issue and allot to Yue Xiu International and Yue Xiu (or their nominees) 70,984,419 new Shares at a price of HK\$1.995 per Consideration Share.

The cash consideration is intended to be funded by internal resources of the Group.

The consideration for the Lucken Sale Shares (being the consideration of HK\$185,250,000 less the face value of the Lucken Shareholder's Loan as at the Lucken Completion Date) was determined after arm's length negotiations between the parties with reference to the draft valuation report on Tung Yuen Property prepared by a qualified independent valuer. The finalised valuation report is set out in Appendix I to this circular. The values of Tung Yuen Property shown in the draft valuation report and the finalised valuation report are the same. The consideration for the Lucken Shareholder's Loan represents the face value of the Lucken Shareholder's Loan. The Lucken Shareholder's Loan amounted to approximately HK\$124,457,000 as at 30 June 2007.

Conditions precedent:

Completion of the Lucken SP Agreement is conditional upon:

- (i) the warranties given by Yue Xiu International and Yue Xiu under the Lucken SP Agreement remaining true and accurate and not misleading in all respects;
- (ii) Success Hill being satisfied with the results of the due diligence conducted on Lucken;
- (iii) Yue Xiu International and Yue Xiu having complied fully with the pre-completion obligations and otherwise having performed all of the covenants and deeds required to be performed by them under the Lucken SP Agreement;
- (iv) all necessary consents being granted by third parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Lucken Sale Shares, the assignment of the Lucken Shareholder's Loan or the operation of Lucken after the Lucken Completion having been proposed, enacted or taken by any governmental or official authority;

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- (v) all of the condition precedents to the Supreme Eagle SP Agreement having been fulfilled or waived (as the case may be) pursuant to the terms of the Supreme Eagle SP Agreement and all of the condition precedents to the Property Acquisition Agreement having been fulfilled or waived (as the case may be) pursuant to the terms of the Property Acquisition Agreement;
- (vi) Success Hill having received a statutory declaration given by Yue Xiu International or such appropriate person as may be approved by Success Hill accounting for the loss of certain title deeds relating exclusively to the Tung Yuen Property;
- (vii) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Lucken SP Agreement and the transactions contemplated therein (including but not limited to the acquisition of the Lucken Sale Shares, the assignment of the Lucken Shareholder's Loan and the allotment and issue of the Lucken Consideration Shares under a specific mandate); and
- (viii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Lucken Consideration Shares.

Success Hill may waive any of the conditions set out in paragraphs (i) to (vi) above.

If any of the conditions above is not fulfilled or waived prior to 9 September 2007 (or such other date as the parties may agree in writing), Success Hill may, among other things, rescind the Lucken SP Agreement. In the event that the Lucken SP Agreement is rescinded, the provisions of the Lucken SP Agreement will have no effect and no party shall have any liability under it (without prejudice to the rights of any part in respect of antecedent breaches).

Success Hill's solicitors will issue a legal opinion to Success Hill to confirm good title of Tung Yuen Property upon receipt of the statutory declaration referred to in (vi) above. Subject to receipt of this legal opinion and the statutory declaration referred to in (vi) above, the Directors are of the view that title to the Tung Yuen Property will not be affected.

None of the conditions stated above has been fulfilled as at the Latest Practicable Date.

Completion of the Lucken SP Agreement:

Completion of the Lucken SP Agreement shall take place on the Lucken Completion Date simultaneous with the Supreme Eagle Completion and the completion of the Property Acquisition Agreement.

Information on Lucken:

Lucken is a company incorporated in Hong Kong. The principle business of Lucken is property holding. The audited net liabilities of Lucken amounted to approximately HK\$89,952,000 and HK\$87,334,000, respectively, as at 31 December 2005 and 31 December 2006. The audited net loss

LETTER FROM THE BOARD

of Lucken, before and after tax, was approximately HK\$25,041,000 and HK\$20,659,000, respectively, for the financial year ended 31 December 2005. The net profit of Lucken, before and after tax, was approximately HK\$3,173,000 and HK\$2,617,000, respectively, for the financial year ended 31 December 2006. Lucken is the legal and beneficial owner of Tung Yuen Property, which is subject to the Success Hill Lease Agreement. The Success Hill Lease Agreement will be assigned to Success Hill upon completion of the Lucken SP Agreement. The sole asset of Lucken is Tung Yuen Property. Lucken obtained a loan from Yue Xiu for the acquisition of Tung Yuen Property in 1992. Such loan amounted to approximately HK\$124,157,000 as at 31 December 2006. The liability of Lucken consists solely of the loan due to Yue Xiu. Please refer to the section headed "Information on the Properties" for details of Tung Yuen Property.

Details of the Success Hill Lease Agreement:

Parties: (i) Yue Xiu International (as landlord); and
(ii) Yue Xiu Cold Storage & Warehousing Limited, a wholly-owned subsidiary of Yue Xiu (as tenant).

Subject premises: Tung Yuen Property

Terms: 1 year commencing from 1 January 2007 (with the option to renew for another one year which is exercisable by the landlord) but subject to a break clause pursuant to which Yue Xiu International may terminate the Success Hill Lease Agreement by giving a 3 months' notice for the reason of redevelopment of the property as approved by the Hong Kong government

Rent: HK\$250,000 per month (exclusive of rates)

The Success Hill Lease Agreement will be assigned to Success Hill upon completion of the Lucken SP Agreement.

The monthly rent under the Success Hill Lease Agreement was determined on an arm's length basis based on prevailing market rates and the management costs. CB Richard Ellis, an independent valuer, has opined that the monthly rent is in-line with the market rate and is, therefore, reasonable.

THE PROPERTY ACQUISITION AGREEMENT

Date : 9 July 2007

Parties: (i) Glory Mission, an indirect wholly-owned subsidiary of the Company (as purchaser);
(ii) Hi-Watt, a wholly-owned subsidiary of Yue Xiu (as vendor); and
(iii) the Company.

LETTER FROM THE BOARD

Asset to be acquired:

Pursuant to the Property Acquisition Agreement, Hi-Watt has agreed to sell, and Glory Mission has agreed to purchase, Hi-Watt Property II.

Consideration:

The total consideration payable by Glory Mission for Hi-Watt Property II is HK\$416,044,916, which shall be settled by Glory Mission in the following manner:

- (i) HK\$20,000,000 shall be paid in cash or cheque on 9 July 2007 as deposit;
- (ii) the Company shall issue and allot to Hi-Watt (or its nominee) 159,420,819 new Shares at a price of HK\$1.995 per Consideration Share on the Property Acquisition Completion Date; and
- (iii) HK\$78,000,382 shall be paid in cash on the Property Acquisition Completion Date.

The consideration was determined after arm's length negotiations between the parties with reference to the draft valuation report on Hi-Watt Property II prepared by a qualified independent valuer. The finalised valuation report is set out in Appendix I to this circular. The values of Hi-Watt Property II shown in the draft valuation report and the finalised valuation report are the same.

The cash consideration is intended to be funded by internal resources of the Group.

Conditions precedent:

Completion of the Property Acquisition Agreement is conditional upon:

- (i) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the entry by Glory Mission into the Property Acquisition Agreement and the transactions contemplated therein (including but not limited to the acquisition of Hi-Watt Property II and the allotment and issue of the Property Consideration Shares under a specific mandate);
- (ii) all of the condition precedents to the Supreme Eagle SP Agreement having been fulfilled or waived (as the case may be) pursuant to the terms of the Supreme Eagle SP Agreement and all of the condition precedents to the Lucken SP Agreement having been fulfilled or waived (as the case may be) pursuant to the terms of the Lucken SP Agreement; and
- (iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Property Consideration Shares.

If any of the conditions above fail to be fulfilled otherwise than due to the fault of Hi-Watt and/or the Company by the Property Acquisition Completion Date, the Property Acquisition Agreement shall be rescinded whereupon the deposit paid (amounting to HK\$20,000,000) under the Property

LETTER FROM THE BOARD

Acquisition Agreement prior to the date of such rescission shall forthwith be returned by Hi-Watt to Glory Mission, but without any interest cost or compensation, and the parties to the Property Acquisition Agreement shall at their own legal cost enter into and cause to be registered at the Land Registry an agreement to cancel the Property Acquisition Agreement.

None of the conditions stated above has been fulfilled as at the Latest Practicable Date.

Completion of the Property Acquisition Agreement:

Completion of the Property Acquisition Agreement shall take place on the Property Acquisition Completion Date simultaneous with the Supreme Eagle Completion and the Lucken Completion.

CONSIDERATIONS SHARES

The Consideration Shares represent approximately 3.77% of the existing issued share capital of the Company and will represent approximately 3.63% of the enlarged issued share capital of the Company upon the issue and allotment of the Consideration Shares pursuant to the completion of the Agreements. The Consideration Shares will be issued as fully-paid upon completion of the Agreements and shall rank pari passu in all respects with the existing Shares then in issue and holders of the Consideration Shares will be entitled to receive all future dividend and distributions upon the issue and allotment of the Consideration Shares. There will be no restriction on the disposal of the Consideration Shares.

The price of HK\$1.995 per Consideration Share represents:

- (a) a discount of approximately 15.1% to the closing price of HK\$2.35 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 5.0% to the average closing price of HK\$2.10 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 4.3% to the average closing price of HK\$2.084 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 10.9% to the closing price of HK\$2.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

Effects on shareholding structure:

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Agreements:

	As at the Latest Practicable Date		Immediately after completion of the Agreements	
	No. of Shares	% of the Company's issued share capital	No. of Shares	% of the Company's issued share capital
Yue Xiu and its associates	3,077,935,248	45.124	3,334,935,248	47.117
Public	<u>3,743,050,666</u>	<u>54.876</u>	<u>3,743,050,666</u>	<u>52.883</u>
Total	<u>6,820,985,914</u>	<u>100.000</u>	<u>7,077,985,914</u>	<u>100.000</u>

INFORMATION ON THE PROPERTIES

Hi-Watt Property I and Hi-Watt Property II comprise a parcel of land with a site area of approximately 52,120 square feet, with 2 blocks of multi-storey industrial buildings erected thereon. Hi-Watt Property I and Hi-Watt Property II are currently used for industrial and godown purposes. The occupancy rate of Hi-Watt Property I and Hi-Watt Property II is 100%. The gross floor areas of Hi-Watt Property I and Hi-Watt Property II are approximately 41,332 square feet and approximately 288,590 square feet, respectively. Hi-Watt Property I and Hi-Watt Property II were developed by Hi-Watt. Hi-Watt Property I was sold to an independent third party for a consideration of HK\$27,350,000 in 1988 and was subsequently acquired by Hoover (China) Limited for a consideration of HK\$62,400,000 in 2007. As shown in the valuation report set out in Appendix I to this circular, the market value of Hi-Watt Property I and Hi-Watt Property II as at 15 June 2007 (as assessed by a qualified independent valuer) was approximately HK\$511,000,000. The apportionment of the value according to the shares of the lot for Hi-Watt Property I and Hi-Watt Property II are HK\$73,000,000 and HK\$438,000,000, respectively.

The rental income attributable to Hi-Watt Property I for each of the financial years ended 31 December 2005 and 2006 was approximately HK\$1,560,000 per year. The rental income attributable to Hi-Watt Property II for each of the financial years ended 31 December 2005 and 2006 was approximately HK\$4,364,000 per year. The book value of Hi-Watt Property I was HK\$62,400,000 as at 31 May 2007. The book value of Hi-Watt Property II was HK\$71,163,007 as at 31 December 2006.

Tung Yuen Property comprises a parcel of land with a site area of approximately 15,810 square feet, with a 6 storey industrial building erected thereon. It is currently used as a cold storage godown. The occupancy rate of Tung Yuen Property is 100%. The total gross floor area of Tung Yuen Property is approximately 84,309 square feet. Tung Yuen Property was acquired by Lucken at a consideration of HK\$86,120,000 in 1992. As shown in the valuation report set out in Appendix I to this circular, the

LETTER FROM THE BOARD

market value of Tung Yuen Property as at 15 June 2007 as assessed by a qualified independent valuer was approximately HK\$195,000,000. The rental income attributable to Tung Yuen Property for each of the financial years ended 31 December 2005 and 2006 was approximately HK\$3,000,000 per year. The book value of Tung Yuen Property was HK\$36,000,000 as at 31 December 2006.

Please refer to the valuation report set out in Appendix I to this circular for more information on the Properties.

INFORMATION ON THE VENDORS

Yue Xiu is interested in the entire issued share capital of each of Yue Xiu International and Hi-Watt. Yue Xiu and its subsidiaries are principally engaged in (i) cement and ready mixed concrete production; (ii) finance, stocks and securities brokerage, and insurance services; (iii) investment in and operation of hotels; (iv) property investment and development; (v) operation of toll roads and bridges; and (vi) manufacture and sale of newsprint.

REASONS FOR THE TRANSACTIONS

The Group is an investment company and its subsidiaries are principally engaged in property development, investment and management, operation of toll roads and bridges, manufacture and sale of newsprint.

The acquisition of the Properties, through the acquisition of the Supreme Eagle Sale Share and the Lucken Sale Shares and the direct acquisition of Hi-Watt Property II, is consistent with one of the core business strategies of the Group.

The Hi-Watt Property I and Hi-Watt Property II are currently used for industrial and godown purposes. The Tung Yuen Property is currently used as a cold storage godown. As at the Latest Practicable Date, the Properties were zoned for town planning purposes for “Comprehensive Development Area”. To the best information and knowledge of the Directors, a planning application for rezoning the subject lots from “Comprehensive Development Area” to “Residential (Group E)” had been submitted by the vendors of the relevant Properties and its predecessors in title in June 2005 and the Directors are informed that the Planning Department is currently considering the application.

The Directors believe that the Properties possess redevelopment potential and that the acquisition of the Properties will create a synergistic effect with the plot of land that is adjacent to the Properties, which is owned by the Company. This will not only increase the Group’s landbank in Hong Kong but is also expected to strengthen the overall competitiveness of its property portfolio.

LISTING RULE IMPLICATIONS

As at the Latest Practicable Date, Yue Xiu and its associates held approximately 45.124% of the entire issued share capital of the Company. Since Yue Xiu is interested in the entire issued share capital of Yue Xiu International and Hi-Watt, Yue Xiu International and Hi-Watt are connected persons of the Company. Since the applicable percentage ratios in respect of the transactions contemplated under the Agreements, when aggregated under Rule 14A.25 of the Listing Rules, exceed 2.5% but are

LETTER FROM THE BOARD

less than 5%, the Agreements constitute connected transactions of the Company which are subject to reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Since part of the consideration under each of the Agreements will be satisfied by the allotment and issue of the Consideration Shares by the Company, the Agreements also constitute share transactions of the Company under Rule 14.06(1) of the Listing Rules.

Yue Xiu and its associates will abstain from voting at the EGM in respect of the ordinary resolutions approving each of the Agreements and the transactions contemplated thereunder, which will be conducted by way of poll (as required under the Listing Rules).

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Agreements. Yu Ming has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements are fair and reasonable and whether the Agreements are in the interests of the Company and its shareholders as a whole.

RECOMMENDATION

Based on the information disclosed herein, the Directors, including the independent non-executive Directors, believe that the transactions under the Agreements are on normal commercial terms in the Company's ordinary and usual course of business, the terms of which are fair and reasonable and the Agreements are in the interests of the Company and its shareholders as a whole.

As mentioned above, Yu Ming has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements. Having taken into account the advice of Yu Ming, the Independent Board Committee considers that the terms of the Agreements are fair and reasonable and that the Agreements are in the interests of the Company and its shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the Agreements and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 17 to 18 of this circular, the letter from Yu Ming to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 24 of this circular, the valuation report on the Properties set out in Appendix I to this circular and the additional information set out in the Appendix II to this circular.

By order of the Board of Directors of
Guangzhou Investment Company Limited
OU Bingchang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

20 July 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND SHARE TRANSACTIONS

We refer to the circular dated 20 July 2007 (the “Circular”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee, which has been established to advise the Independent Shareholders in respect of the Agreements, details of which are set out in the letter from the Board contained in the Circular. None of us has any material interest in the transactions under the Agreements.

As described in the section headed “Letter from the Board” of the Circular, on 9 July 2007, Success Hill, a direct wholly-owned subsidiary of the Company, entered into the Supreme Eagle SP Agreement with Yue Xiu and the Company, and the Lucken SP Agreement with Yue Xiu, Yue Xiu International and the Company; and Glory Mission, an indirect wholly-owned subsidiary of the Company, entered into the Property Acquisition Agreement with Hi-Watt and the Company.

As at the Latest Practicable Date, Yue Xiu and its associates held approximately 45.124% of the entire issued share capital of the Company. Since Yue Xiu is interested in the entire issued share capital of Yue Xiu International and Hi-Watt, Yue Xiu International and Hi-Watt are connected persons of the Company. Accordingly, the Agreements and the transactions thereunder constitute, or will constitute, connected transactions of the Company which are subject to approval by the Independent Shareholders at the EGM as required under Chapter 14A of the Listing Rules. Yue Xiu and its associates will abstain from voting at the EGM on the ordinary resolutions approving each of the Agreements and the transactions thereunder, which will be taken on a poll as required under the Listing Rules.

Yu Ming has been appointed as the independent financial adviser to advise us and the Independent Shareholders as to whether the terms of the Agreements are fair and reasonable and the Agreements are in the interests of the Company and its shareholders as a whole. We wish to draw your attention to the opinion letter from Yu Ming set out on pages 19 to 24 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

As members of the Independent Board Committee, we have discussed with the management of the Company in relation to the Agreements and the transactions thereunder, and the basis upon which the terms of the transactions have been determined. We have also taken into account the principal factors and reasons considered by Yu Ming in forming its opinion in relation to the Agreements, and have discussed with Yu Ming its opinion letter and its advice.

On the basis of the above, we consider, and agree with the view of Yu Ming, that the terms of the Agreements are fair and reasonable and the Agreements are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve each of the Agreements and the transactions thereunder.

Yours faithfully,
**Independent Board Committee of
Guangzhou Investment Company Limited**
YU Lup Fat Joseph LEE Ka Lun
LAU Hon Chuen Ambrose

LETTER FROM YU MING

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Yu Ming dated 20 July 2007 for incorporation in this circular:



YU MING INVESTMENT MANAGEMENT LIMITED

20 July 2007

To the Independent Board Committee and the Independent Shareholders
Guangzhou Investment Company Limited
26th Floor, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

Dear Sir or Madam,

CONNECTED AND SHARE TRANSACTIONS

INTRODUCTION

On 9 July 2007, the Board announced that (i) Success Hill, a direct wholly-owned subsidiary of the Company, entered into the Supreme Eagle SP Agreement and the Lucken SP Agreement with Yue Xiu and/or its associates; and (ii) Glory Mission, an indirect wholly-owned subsidiary of the Company, entered into the Property Acquisition Agreement with an associate of Yue Xiu. Pursuant to the Agreements, the Company shall purchase the direct or indirect interests in the Properties located in Yau Tong, Hong Kong from Yue Xiu and/or its associates, partly in cash and partly by Consideration Shares.

We have been appointed as an independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether (i) the acquisitions contemplated under the Agreements; and (ii) the issuance of the Consideration Shares as part of the payments under the Agreements are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. The details of the Agreements and Consideration Shares are set out in the Letter from the Board in the circular to the shareholders of the Company dated 20 July 2007 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information, opinions and representations provided to us by the Directors. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the Directors for which they are solely responsible are, to the best of their knowledge, true and accurate at the time they were made and continue to be so on the date of this letter.

LETTER FROM YU MING

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors, nor have we conducted an independent investigation into the business and affairs of the Group, Supreme Eagle and Lucken.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Background

On 9 July 2007, the Company or its associates entered into the following agreements:

- A. Yue Xiu, Success Hill and the Company entered into the Supreme Eagle SP Agreement pursuant to which Success Hill has agreed to acquire from Yue Xiu the Supreme Eagle Sale Share and the Supreme Eagle Shareholder's Loan for a total consideration of HK\$69,405,084. The consideration shall be satisfied by way of payment of HK\$16,348,534 in cash and the Company issuing and allotting to Yue Xiu or its nominees 26,594,762 new Shares at a price of HK\$1.995 per Consideration Share upon the Supreme Eagle Completion.
- B. Success Hill, Yue Xiu, Yue Xiu International, a direct wholly-owned subsidiary of Yue Xiu, and the Company entered into the Lucken SP Agreement pursuant to which Success Hill has agreed to acquire from Yue Xiu International the Lucken Sale Shares and the Lucken Shareholder's Loan from Yue Xiu for a total consideration of HK\$185,250,000. The consideration shall be satisfied by way of payment of HK\$43,636,084 in cash and the Company issuing and allotting to Yue Xiu International or its nominees 70,984,419 new Shares at a price of HK\$1.995 per Consideration Share upon the Lucken Completion.
- C. Glory Mission, Hi-Watt, a wholly-owned subsidiary of Yue Xiu, and the Company entered into the Property Acquisition Agreement pursuant to which Glory Mission has agreed to acquire from Hi-Watt Hi-Watt Property II for a consideration of HK\$416,044,916. The consideration shall be satisfied by way of (i) payment of HK\$20,000,000 in cash on 9 July 2007 as deposit, (ii) the Company issuing and allotting to Hi-Watt (or its nominees) 159,420,819 new Shares at a price of HK\$1.995 per Consideration Share upon the Property Acquisition Completion Date, and (iii) payment HK\$78,000,382 in cash on the Property Acquisition Completion Date.

LETTER FROM YU MING

In respect of the Agreements, the following factors are relevant as far as the interests of the Company and the Independent Shareholders are concerned:

- A. The reasonableness of the consideration paid for acquiring the respective sale shares and shareholder's loan of Supreme Eagle and Lucken, and acquiring the direct interests in Hi-Watt Property II must be considered;
- B. Apart from cash, the Consideration Shares will be issued at a discount as part of payments for Supreme Eagle, Lucken and Hi-Watt Property II. The level of discount must be considered;
- C. Whether the acquisitions of the Properties are in line with the overall strategy of the Group and make business sense; and
- D. The financial effects of the acquisitions contemplated under the Agreements on the Group.

Valuations of and considerations for the Properties

An independent and professional surveyor and property valuer, RHL Appraisal Limited, has been appointed to carry out valuations of the Properties. Their market values were assessed using the direct comparison approach which is based on comparing the property to be valued directly with sale transactions of other comparable properties around the date of valuation. However, given the differences between individual real estate properties, appropriate adjustment are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration. We are of the opinion that the approach adopted by RHL Appraisal Limited is fair and reasonable.

As at 31 May 2007, the sole asset of Supreme Eagle is the entire interests in Hoover (China) Limited which in turn owns Hi-Watt Property I, and the sole liability of Hoover (China) Limited is the shareholder's loan due to Yue Xiu. Similarly, as at 30 June 2007, the vast majority of Lucken's assets and liabilities were Tung Yuen Property and the shareholder's loan due to Yue Xiu respectively (less than HK\$1 million for each of other assets and other liabilities). Owning 100% equity interests in both Supreme Eagle and Lucken, Success Hill can convert their shareholder's loan into equity at its disposal. In other words, acquisition of Supreme Eagle and Lucken is effectively the same as a direct acquisition of the entire interests Hi-Watt Property I and Tung Yuen Property respectively.

As each of the Agreements is interconditional, we assess the reasonableness of consideration for the Properties as a whole. Pursuant to the Agreements, the total consideration is approximately HK\$671 million. Based on the Properties' total market value of HK\$706 million according to the valuation report set out in the appendix I of the Circular, the Company shall purchase the Properties at a 5% discount to (approximately HK\$35 million lower than) their total market value as at 15 June 2007. We are of the opinion that the consideration paid for acquiring Supreme Eagle, Lucken and Hi-Watt Property II are fair and reasonable.

LETTER FROM YU MING

Consideration Shares

In assessing the reasonableness of the issue price of the Considerations Shares, we make reference to consideration shares issued and allotted by companies listed on the main board of the Stock Exchange to acquire assets in the past two months from the Latest Practicable Date. In our comparables analysis, we do not consider the companies listed on the Growth Enterprise Market. The fact that the Stock Exchange provides two trading platforms mean the main board and Growth Enterprise market consist of different group of companies. We consider comparison of different group of companies inappropriate:

Company name	Stock code	Announcement date	Issue Price (HK\$)	Price of last trading day (HK\$)*	5-day average price since last trading day (HK\$)*	Premium/ (Discount)	
						over the last trading day*	Premium/ (Discount) over 5-day average price*
Wah Yuen Holdings Ltd	2349	12 July 2007	0.15	1.41	1.416	(89.4%)	(89.4%)
Tak Shun Technology Group Ltd	1228	8 June 2007	0.45	0.84	0.768	(46.4%)	(41.1%)
Signal Media and Communications Holdings Ltd	2362	26 June 2007	0.18	0.27	0.261	(33.3%)	(31.0%)
Golden Resorts Group Ltd	1031	4 June 2007	0.60	0.85	0.806	(29.4%)	(25.6%)
C Y Foundation Group Ltd	1182	6 June 2007	1.375	1.68	1.694	(18.2%)	(18.9%)
AMVIG Holdings Ltd	2300	20 June 2007	7.00	8.65	8.17	(19.1%)	(14.3%)
Seec Media Group Ltd	205	22 June 2007	0.375	0.43	0.421	(12.8%)	(10.9%)
Emperor International Holdings Ltd	163	12 June 2007	2.15	2.29	2.352	(6.1%)	(8.6%)
The Company	123	9 July 2007	1.995	2.35	2.10	(15.1%)	(5.0%)
China Resources Power Holdings Company Ltd	836	3 July 2007	17.11	18.66	17.82	(8.3%)	(4.0%)
TCC International Holdings Ltd	1136	14 June 2007	4.86	4.98	4.92	(2.5%)	(1.1%)
Paliburg Holdings Ltd	617	12 July 2007	0.375	0.37	0.38	1.4%	(1.3%)
Texhong Textile Group Ltd	2678	11 July 2007	1.45	1.40	1.45	3.6%	0.0%
Li & Fung Ltd	494	15 June 2007	25.76	26.1	25.68	(1.3%)	0.3%
APAC Resources Ltd	1104	31 May 2007	1.14	1.14	1.062	0.0%	7.3%
Smart Rich Energy Finance (Holdings) Ltd	1051	26 June 2007	0.616	0.67	0.459	(8.1%)	34.2%

* The premium/(discount) represents the percentage difference as to the issue price of the consideration shares over the (i) closing prices on the last trading day as quoted on the Stock Exchange; (ii) average of the closing prices as quoted on the Stock Exchange for the five consecutive preceding trading days up to and including the last trading day of the stock immediately prior to the publication date of the relevant announcement.

Out of the 16 companies listed above, (i) 13 issued consideration shares at a discount, one at par and two at premium to their closing prices on their corresponding last trading days; (ii) 12 at a

LETTER FROM YU MING

discount, one at par and three at premium to their average closing prices of five consecutive preceding trading days up to and including their corresponding last trading days. Consideration shares issued and allotted by listed companies are usually issued at discount, and the discount rate of the comparables ranged from (i) 1.3% to 89.4% as compared with their closing prices on their corresponding last trading days; (ii) 0.3% to 89.4% as compared with their average closing prices of five consecutive preceding trading days up to and including their corresponding last trading days, and that of the Consideration Shares is on the low side. Therefore, we are of the opinion that the issue price of the Consideration Shares is fair and reasonable.

Reasons for and benefits of the Agreements

The Group is principally engaged in development, selling and management of properties and holding of investment properties, operation and management of toll highways and bridges and manufacturing and trading of newsprint. In particular, according to the annual report of the Company for the financial year ended 31 December 2006, properties business accounted for approximately 61% of the total revenue of the Group.

According to the Memorandum for the Commercial Properties Committee of The Hong Kong Housing Authority dated 24 April 2007, The Housing Authority's retail and carparking facilities in Yau Tong Phase 4 and the East Harbour Crossing Phase 6 have been in the developing stage. The East Harbour Crossing Phase 6 is scheduled for completion in November 2009 and the Yau Tong Phase 4 will be completed in December 2010. The developments are expected to integrate with the existing Lei Yue Mun Plaza to form a regional shopping centre.

Yau Tong is expected to convert from an industrial area to a commercial and residential area. On the back of this trend, the Properties, together with a nearby plot of land having a registered site area of 58,533 square feet (also located in Tung Yuen Street of Yau Tong) currently possessed by the Group, can benefit from the transformation of Yau Tong in future. We are of the opinion that the acquisitions of Supreme Eagle, Lucken and Hi-Watt Property II are in line with the core business strategy of the Group, and can add significant land bank in Yau Tong to the Group's property portfolio.

Financial effects on the Group

A. Effect on net asset value per share

Based on the issue price of HK\$1,995 per share, Consideration Shares worth approximately HK\$513 million will be issued. As the issue price of the Consideration Shares is higher than the audited net asset value per share as at 31 December 2006, and the Properties are being acquired at a discount, the net asset value per share of the Group is expected to increase as a result of the completion of Agreements.

B. Effect on working capital

Approximately HK\$158 million will be paid in cash as part of the payments under the Agreements. According to the annual report of the Company for the financial year ended 31 December 2006, the working capital (current assets minus current liabilities) was approximately HK\$1.9 billion. The acquisitions of Eagle Supreme, Lucken and Hi-Watt Property II will not have material effects on the working capital of the Group.

LETTER FROM YU MING

RECOMMENDATION

Having taken into consideration the principal factors and reasons as set out above, we are of the view that the terms and conditions of the Agreements and the issuance of Consideration Shares are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the shareholders of the Company as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote; and the Independent Shareholders to vote in favour of the resolutions that will be submitted at the EGM to approve the acquisitions contemplated under the Agreements and the issuance of the Consideration Shares as part of the payments.

Yours faithfully,

For and on behalf of

YU MING INVESTMENT MANAGEMENT LIMITED

Warren Lee

Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 15 June 2007 of the Properties proposed to be acquired by the Group.

永利行 估值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices - Corporate Valuation and Property Consultancy
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20th July 2007

The Directors
Guangzhou Investment Company Limited
26th Floor
Yue Xiu Building,
160 Lockhart Road,
Wanchai
Hong Kong

Re: (1) No. 16 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong
(2) No. 21 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong

INSTRUCTIONS

We refer to your instructions to value the market value of the captioned properties located in Hong Kong which Guangzhou Investment Company Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) propose to acquire. We confirm that we have carried out on site inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interests as at 15th June 2007 (the “date of valuation”).

BASIS OF VALUATION

Our valuation of the property interests represent its “Market Value” which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

METHOD OF VALUATION

In valuing the property interests, their market value will be assessed using the Direct Comparison Approach.

The direct comparison approach is based on comparing the property to be valued directly with other comparable properties, which have changed hand around the date of valuation. However, given the differences between individual real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the Group acquired the property interests on the open market without the benefit of deferred-terms contract, leaseback, joint venture, management agreements or any similar arrangements which would serve to affect the values of such property interests. In addition, no forced sale situation in any manner is assumed in our valuations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1st January 2005.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site area in respect of the property interest but have assumed that the site areas shown on the documents and official site plan handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximation. No on-site measurement has been taken.

We are not instructed to carry out any investigations on site in order to determine the suitability of the ground conditions and the services, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have inspected the exterior and where possible, the interior of the property valued; however, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information provided by the Group and those obtained from the Land Registries in Hong Kong. Dimensions, measurements and areas included in the attached valuation certificates are based on information contained in copies of documents provided to us and are therefore only approximations.

Our valuations are totally dependent on the adequacy and accuracy of the information supplied and/or subsequent assumptions made. Should these prove to be incorrect or inadequate, the accuracy of our valuations may be affected.

TITLE INVESTIGATION

We have not been provided with copies of the title documents relating to the property interests in Hong Kong. However, we have caused searches to be made for the properties at the appropriate Land Registries in Hong Kong. We have not scrutinized the original documents to verify ownership and encumbrances, or to ascertain any amendment which may or may not appear on the copies handed to us.

Our valuation is summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
FHKIS AAPI RPS(GP)
Managing Director

Andy C. K. Wu
BSSc BSc (Est Man) FHKIS FRICS RPS (GP)
Senior Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 16 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Mr. Andy C. K. Wu is a Registered Professional Surveyor with over 20 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Mr. Wu is a Fellow of The Royal Institution of Chartered Surveyors, The Hong Kong Institute of Surveyors and an eligible real estate appraiser in the PRC

SUMMARY OF VALUE**PROPERTY INTEREST TO BE ACQUIRED BY THE GROUP IN HONG KONG**

No. Property	Market Value in existing state as at 15th June 2007 (HK\$)
1. Yau Tong Marine Lot No. 57 No. 16 Tung Yuen Street Yau Tong Kowloon Hong Kong	195,000,000
2. Yau Tong Inland Lot No. 9 No. 21 Tung Yuen Street Yau Tong Kowloon Hong Kong	511,000,000
	<hr/>
TOTAL:	<u>706,000,000</u>

VALUATION CERTIFICATE

PROPERTY INTEREST TO BE ACQUIRED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 15th June 2007 (HK\$)
1. No. 16 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong Yau Tong Marine Lot No. 57	<p>The property comprises a parcel of land with a site area of approximately 15,810 square feet (approximately 1,468.79 square metres). Erected on site is a 6-storey industrial building including basement which was completed in 1984.</p> <p>The total gross floor area of the property is approximately 7,832.43 square metres (84,309 square feet).</p> <p>1st to 4th Floor of the property is equipped as Freezer Chambers and the basement level is equipped as Chiller Chamber.</p> <p>6 lorry spaces, 3 light vehicle spaces and loading/unloading bays are available on the ground floor. General offices are provided on ground and upper ground floor. A berth is also erected on the ground floor.</p> <p>The property is held under the Conditions of Sale No.9367 for a term of 99 years commencing on 1st July 1898 and statutorily renewed until 30th June 2047 subject to payment of Government Rent which is equivalent to 3% of the rateable value of the time being of the property per annum.</p>	<p>The property is subject to a tenancy agreement for a term of 1 year commencing on 1st January 2007 and expiring on 31st December 2007 at a monthly rent of HK\$250,000 (exclusive of Rates) with the option to renew for another one year.</p>	195,000,000

Notes:

- (1) The registered owner of the property is Lucken Limited via an assignment dated 16th November 1992 vide Memorial No. UB5511128 for a consideration of HK\$86,120,000.00.
- (2) Lucken Limited is a company incorporated in Hong Kong owing an outstanding loan amount to approximately HK\$124,457,000 as at 30th June 2007 from Yue Xiu and/or its associates. Yue Xiu and/or its associates hold approximately 45.124% of the entire issued share capital of the Company.
- (3) Occupation Permit (No. NK 57/84) for the subject property dated 16th November 1984

- (4) Encumbrances registered against the subject property include:
- Mortgage in favour of The Hong Kong And Shanghai Banking Corporation Limited “Agent” dated 28th September 2004 vide Memorial No. UB9358478. (Remarks: For consideration see memorial)
- (5) Salient development conditions of the lot pursuant to the Conditions of Sale No. 9367 are summarized as follows:
- | | |
|--|--|
| i. User | Industrial and /or godown purposes |
| ii. Maximum Height | Not exceeding a height of 100 feet above the Colony principal datum |
| iii. Parking Provisions | Not less than one space for each 10,000 square feet of gross floor area, or not less than one space for each 5,000 square feet of the site area, whichever the greater. |
| iv. Seawall between points “A” and “B” | The Purchaser shall maintain at his own expense that portion of sea wall. Any rights pertaining to the sea frontage shall extend only to the boundary of the lot marked A-B on the plan annexed. |
- (6) As at the date of valuation, the lot was zoned under the Draft Cha Kwo Ling, Yau Tong & Lei Yue Mun Outline Zoning Plan No. S/K15/15 for “Comprehensive Development Area” purposes.
- (7) As informed by the Group, planning application for rezoning of the subject lot from “Comprehensive Development Area” to “Residential (Group E)” has been submitted to Planning Department in 8th June 2005. We are informed that the Planning Department is on progress to consider the application. According to the conditions as set under “Residential (Group E)”, redevelopment on site will be subjected to a maximum domestic plot ratio of 5 and maximum non-domestic ratio of 1.
- (8) We are informed by the Group that the existing tenancy agreement will be assigned to Success Hill, a wholly-owned subsidiary of the Company upon the completion of the Agreements (collectively, the Supreme Eagle SP Agreement, the Lucken SP Agreement and the Property Acquisition Agreement) with a development break clause which shall stipulated that upon a 3 months’ notice, the tenant shall deliver vacant possession. Yue Xiu Cold Storage & Warehousing Limited (the “tenant”) is a wholly-owned subsidiary of Yue Xiu and/or its associates.

VALUATION CERTIFICATE

PROPERTY INTEREST TO BE ACQUIRED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 15th June 2007 (HK\$)
2. No. 21 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong	The property comprises a parcel of land with a site area of approximately 52,120 square feet (approximately 4,842 square metres). Erected on site are two blocks of multi-storey industrial buildings completed separately in the 1970s.	Ground floor and First floor of Block A is subject to a tenancy agreement commencing from 19th March 2007 to 18th March 2008 for a term of 1 year at an annual rent of HK\$1,560,000.00 (exclusive of Rates, Government rent and Management fee), with the option of renewal for a further term of not more than 12 months	511,000,000 (Please refer to Note 11 on the apportionment of the values according to the shares of the lot)
Yau Tong Inland Lot No. 9	The total gross floor area of the subject property is approximately 309,714.44 square feet. 30 vehicle spaces are available on the ground floor. Workshop units are provided on the ground floor and upper floors. The lot is held under Government lease Conditions of Sale No. 9505, as modified by subsequent modification letters dated 3rd February 1981 and 31st March 1982, for a leasehold term of 99 years commencing from 1st July 1898. It is statutorily renewed until 30th June 2047 subject to payment of Government Rent which is equivalent to 3% of the rateable value of the time being of the property per annum.	As advised by the Group, approximately 124,708 sq.ft. of the remaining portion of the property is subject to 39 tenancies with the latest expiring on 15th May 2009 yielding a monthly rent of HK\$363,645. The remaining spaces are owner-occupied by Hi-Watt Battery Industrial Company Limited.	

Notes:-

- (1) The subject property is registered under strata-title ownership as to comprise all 1,259 undivided parts or shares of and in Yau Tong Inland Lot No. 9.

- (2) The registered owners of the property are tabulated below:

Unit	Owner(s)	Memorial No.	Type and Date of Instrument	Shares of the lot
No. 21 Tung Yuen Street				
External Walls; Common Areas; Car Parking Space Nos. 1-30 on G/F	Hi-Watt Battery Industrial Company Limited	UB3005344	Assignment, 27th February 1986	34/1,259
Block A, Hi-Watt Industrial Building, No. 21 Tung Yuen Street				
Ground Floor including Areas A, B, C, D & E; 1st Floor including Area F	Hoover (China) Limited	07041400130018	Assignment, 19th March 2007 (G/F of Block A under exception of Area E)	180/1,259
2nd to 6th Floor and Main Roof	Hi-Watt Battery Industrial Company Limited	UB3005344	Assignment, 27th February 1986	455/1,259
Block B, Hi-Watt Industrial Building, No. 21 Tung Yuen Street				
Basement; Ground Floor; 1st to 4th Floor with Flat Roofs; 5th to 6th Floor and Main Roof	Hi-Watt Battery Industrial Company Limited	UB3005344	Assignment, 27th February 1986	590/1,259

- (3) Hi-Watt Battery Industrial Company Limited is a wholly-owned subsidiary of Yue Xiu and/or its associates. Yue Xiu and/or its associates hold approximately 45.124% of the entire issued share capital of the Company.
- (4) Hoover (China) Limited is a wholly-owned subsidiary of Supreme Eagle. Supreme Eagle a company incorporated with limited liability and is wholly owned by Yue Xiu. A shareholder's loan amount to approximately HK\$63,278,000 as at 31st May 2007 is obtained from Yue Xiu and/or its associates. Yue Xiu and/or its associates hold approximately 45.124% of the entire issued share capital of the Company.
- (5) The following encumbrances are found registered against the property upon our recent title searches:

No. 21 Tung Yuen Street; Block A and Block B of Hi-Watt Industrial Building in No. 21 Tung Yuen Street

- (a) Deed of Mutual Covenant vide Memorial No. UB3874163 dated 30th September 1988;
- (b) Supplemental Deed with Plans vide Memorial No. UB4313307 dated 22nd December 1989 (Remarks: Supplemental to Deed of Mutual Covenant of Memorial No. UB3874163);

In addition to the above, the following encumbrances are registered against individual shares of the lot:

Ground Floor including Areas A, B, C, D & E and 1st Floor including Area F of Block A of Hi-Watt Industrial Building in No. 21 Tung Yuen Street

- (a) Tenancy Agreement entered between Cookson Electronics Limited (Tenant) and Hoover (China) Limited (Landlord) for 1 year from 19th March 2007 to 18th March 2008 with an annual rent of HK\$1,560,000.00 (exclusive of Rates, Government rent and Management fee), with the option for renewal for a further term of not more than 12 months.

2nd Floor, 3rd Floor, 4th Floor, 5th Floor, 6th Floor and the Main Roof of Block A of Hi-Watt Industrial Building in No. 21 Tung Yuen Street

- (a) Legal Charge in favour of Wing Hang Bank Limited vide Memorial No. UB9166054 dated 25th February 2004. (Remarks: The consideration is all monies)
- (6) Two Modification Letters dated 3rd February 1981 and 31st March 1982 vide Memorial No.UB2054611 and UB2245269 respectively were registered against the property.
- (7) Salient development conditions of the lot pursuant to the Conditions of Sale No. 9505, as modified by the Modification Letters dated 3rd February 1981 and 31st March 1982, are summarized as follows:
- | | |
|-------------------------|---|
| i. User | Industrial and /or godown purposes. |
| ii. Maximum Height | Not exceeding a height of 100 feet above the Colony principal datum. |
| iii. Parking Provisions | Not less than one space for each 10,000 square feet of gross floor area, or not less than one space for each 5,000 square feet of the site area, whichever the greater. |
| iv. Canteen facilities | Not exceeding 10% of the gross floor area of the building erected for the exclusive use by workmen employed on the lot. |
- (8) As at the date of valuation, the lot was zoned under the Draft Cha Kwo Ling, Yau Tong & Lei Yue Mun Outline Zoning Plan No. S/K15/15 for “Comprehensive Development Area” purposes.
- (9) As informed by the Group, planning application for rezoning of the subject lot from “Comprehensive Development Area” to “Residential (Group E)” has been submitted to Planning Department in 8th June 2005. We are informed that the Planning Department is on progress to consider the application. According to the conditions as set under “Residential (Group E)”, redevelopment on site will be subjected to a maximum domestic plot ratio of 5 and maximum non-domestic ratio of 1.
- (10) We are informed by the Group that a tenancy between Hi-Watt Battery Industrial Company Limited (“tenant”) and the Company will be signed upon the completion of the Agreements (collectively, the Supreme Eagly SP Agreement, the Lucken SP Agreement and the Property Acquisition Agreement) with a development break clause which shall stipulated that upon a 3 months’ notice, the tenant shall deliver vacant possession.
- (11) We have valued the Property which comprises the Ground Floor including Area A, B, C, D and E and First Floor including Area F of Block A of the subject property which is held by Hoover (China) Limited (the Hi-Watt Property I”) and the remaining portions of the subject property which is held by Hi-Watt Battery Industrial Company Limited (the “Hi-Watt Property II) as a whole. For reference purpose, the apportionment of the value according to the shares of the lot as stipulated in Note 2 above for Hi-Watt Property I and Hi-Watt Property II would be HK\$73,000,000 and HK\$438,000,000 respectively.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading

2. DISCLOSURE OF DIRECTOR'S INTERESTS IN THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive (if any) had, or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which are (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they have taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules.

(a) Long Positions in shares of the Company and its associated corporations

Name of Director	Interest in the Company or its associated corporations	Capacity in holding interest	Approximate % of shareholding in the total issued shares	Number of shares
Wang Hongtao	The Company	Beneficial owner	0.00	320,000
Yu Lup Fat Joseph	The Company	Beneficial owner	0.02	1,500,000
Lee Ka Lun	The Company	Beneficial owner	0.05	3,500,000
Zhou Jin	The Company	Beneficial owner	0.00	100,000

(b) Long positions in the underlying shares of equity derivatives of the Company and its associated corporations

Name of Director	Interest in the Company or its associated corporations	Capacity in holding interest	Date of grant	Exercise price per share HK\$	No. of outstanding share options
Ou Bingchang	The Company	Beneficial owner	02/06/2003 (Note 1)	0.5400	9,000,000
Liang Yi	The Company	Beneficial owner	02/06/2003 (Note 1)	0.5400	7,000,000
Li Fei	The Company	Beneficial owner	02/06/2003 (Note 1)	0.5400	7,000,000
Tang Shouchun	The Company	Beneficial owner	23/06/2004 (Note 2)	0.6300	1,560,000

Notes:

- The share options are exercisable during the period from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of the grant, respectively.
- The share options are exercisable during the period from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of the grant, respectively.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors or their respective associates had any competing interest with the Group.

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company or the experts named in paragraph 5(a) in this Appendix II had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.

4. DISCLOSABLE INTERESTS OF SHAREHOLDERS OF THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director and chief executive (if any) of the Company, no person (not being a Director or the chief executive (if any) of the Company nor any member of the Group) had, or was deemed to have, an interest or short

position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of shareholder	Capacity in holding interest	Long/short position	Approximate % of shareholding in the total issued shares	Number of shares held
Yue Xiu (<i>Note</i>)	Interest of controlled corporations / beneficial owner	Long position	48.89	3,334,935,248

Note: Yue Xiu holds 26,594,762 Shares as beneficial owner and is also deemed by the SFO to be interested in 3,308,340,486 Shares (which includes its deemed interest in the Consideration Shares) as a result of its indirect holding of such Shares through its wholly-owned subsidiaries, details of which are set out below:

Name	Capacity in holding interest	Long/short position	Number and class of securities held
Excellence Enterprises Co., Ltd. (“Excellence”) (<i>Note i</i>)	Interest of controlled corporations	Long position	3,068,548,981
Bosworth International Limited	Beneficial owner	Long position	2,173,846,821
Sun Peak Enterprises Ltd. (“Sun Peak”) (<i>Note ii</i>)	Interest of controlled corporation	Long position	565,683,000
Novena Pacific Limited (“Novena”)	Beneficial Owner	Long position	565,683,000
The Conqueror Capital Ltd. (“Conqueror Capital”) (<i>Note iii</i>)	Interest of controlled corporation	Long position	159,420,819
Hi-Watt (<i>Note iii</i>)	Beneficial owner	Long position	159,420,819
Shine Wah Worldwide Limited (“Shine Wah”) (<i>Note iv</i>)	Interest of controlled corporation	Long position	158,049,000
Morrison Pacific Limited (“Morrison”)	Beneficial owner	Long position	158,049,000
Perfect Goal Development Co., Ltd. (“Perfect Goal”) (<i>Note v</i>)	Interest of controlled corporation	Long position	135,737,000
Greenwood Pacific Limited (“Greenwood”)	Beneficial owner	Long position	135,737,000
Yue Xiu International (<i>Note vi</i>)	Beneficial owner	Long position	70,984,419
Seaport Development Limited (“Seaport”) (<i>Note vii</i>)	Interest of controlled corporation	Long position	35,233,160
Goldstock International Limited (“Goldstock”)	Beneficial owner	Long position	35,233,160
Yue Xiu Finance Company Limited	Beneficial owner	Long position	9,386,267

Notes:

- i. Excellence, a wholly-owned subsidiary of Yue Xiu, is deemed by the SFO to be interested in 3,068,548,981 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiaries.
- ii. Sun Peak is deemed by the SFO to be interested in 565,683,000 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Novena.
- iii. Hi-Watt's interest disclosed is its interest in the Property Consideration Shares and Conqueror Capital, which owns 46.65% of the total issued share capital of Hi-Watt, is deemed by the SFO to be interested in 159,420,819 Shares as a result of its direct holding of such Shares through Hi-Watt.
- iv. Shine Wah is deemed by the SFO to be interested in 158,049,000 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Morrison.
- v. Perfect Goal is deemed by the SFO to be interested in 135,737,000 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Greenwood.
- vi. Yue Xiu International's interest disclosed is its interest in the Lucken Consideration Shares.
- vii. Seaport is deemed by the SFO to be interested in 35,233,160 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Goldstock.

5. EXPERTS

- (a) The following are the qualifications of the experts who have provided their opinion or advice, which are contained in this circular:

Names	Qualification
Yu Ming	a licensed corporation for types 1, 4, 6 and 9 regulated activities under the SFO
RHL Appraisal Ltd.	Independent Property Valuer

- (b) As at the Latest Practicable Date, Yu Ming and RHL Appraisal Ltd. had no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Yu Ming and RHL Appraisal Ltd. have not withdrawn their written consents to the issue of this circular with the inclusion therein of their reports / letters and referencess to their names in the form and context in which they appear.
- (d) The letter and advice given by Yu Ming is given as of the date of this circular for incorporation herein.
- (e) The valuation report given by RHL Appraisal Ltd. in respect of the Properties is given as of the date of this circular for incorporation herein.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or was proposing to enter into any service contract with the Company or any other member of the Group, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any other material adverse change in the financial or trading position or prospects of the Group since 31 December 2006, being the date to which the latest audited consolidated financial statements of the Group were made up.

8. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS OF THE COMPANY

Article 58 of the articles of association of the Company sets out the procedure by which shareholders of the Company may demand a poll:

At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of a show of hands) a poll is duly demanded or a poll is required under the Listing Rules. A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) not less than five members having the right to vote at the meeting; or
- (iii) a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members holding Shares conferring a right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

In accordance with Rule 13.39(4) of the Listing Rules, the Company will procure the chairman of the meeting to demand a poll for approving each of the Agreements and the transactions contemplated thereunder as set out in this circular.

9. GENERAL

- (a) As at the Latest Practicable Date, the Directors are not aware of any litigation, arbitration or claim of material importance pending or threatened against the Group.
- (b) The company secretary of the Company is Mr. Yu Tat Fung, a solicitor of the High Court of Hong Kong.

- (c) The qualified accountant of the Company is Mr. Chow Wai Kit. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow is also an associate member of The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours at the registered office of the Company at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong on any Business Day from the date of this circular up to and including 2 August 2007:

- (a) the letter from Independent Board Committee to the Independent Shareholders of the Company, the text of which is set out on pages 17 to 18 of this circular;
- (b) the letter of advice from Yu Ming to the Independent Board Committee and the Independent Shareholders of the Company, the text of which is set out on pages 19 to 24 of this circular;
- (c) each of the letters of consent referred to under the paragraph headed “Experts” in this appendix;
- (d) the Supreme Eagle SP Agreement;
- (e) the Lucken SP Agreement;
- (f) the Property Acquisition Agreement; and
- (g) the property valuation report on the Properties prepared by RHL Appraisal Ltd., the text of which is set out in Appendix I to this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Guangzhou Investment Company Limited (“**Company**”) will be held at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong on Monday, 6 August 2007 at 9:45 a.m. for the purposes of considering and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **That** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of and granting permission to deal in 26,594,762 ordinary shares of HK\$0.10 each in the share capital of the Company to be issued to Yue Xiu Enterprises (Holding) Limited (or its nominee) (the “Supreme Eagle Consideration Shares”) under the sale and purchase Agreement dated 9 July 2007 entered into among the Company, Yue Xiu Enterprises (Holdings) Limited and Success Hill Holdings Limited (the “Supreme Eagle SP Agreement”) (the details of which are set out in the circular dated 20 July 2007 despatched by the Company to its shareholders, a copy of which has been produced at the meeting marked “A”, and signed by the chairman of the meeting for identification purposes), and the transactions contemplated therein, including but not limited to:
 - (a) the acquisition of the entire issued share capital of Supreme Eagle Trading Limited and the shareholder’s loan which is due and owing by Supreme Eagle Trading Limited to Yue Xiu Enterprises (Holding) Limited; and
 - (b) the issue and allotment of the Supreme Eagle Consideration Shares,

be and are hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorized to do all such further acts and things and execute further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Supreme Eagle SP Agreement and the transactions contemplated thereunder.

2. **That** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of and granting permission to deal in 70,984,419 ordinary shares of HK\$0.10 each in the share capital of the Company to be issued to Yue Xiu International Development Limited and Yue Xiu Enterprises (Holding) Limited (or their nominees) (the “Lucken Consideration Shares”) under the sale and purchase Agreement dated 9 July 2007 entered into among the Company, Yue Xiu Enterprises (Holdings) Limited, Yue Xiu International Development Limited and Success Hill Holdings Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

(the “Lucken SP Agreement”) (the details of which are set out in the circular dated 20 July 2007 despatched by the Company to its shareholders, a copy of which has been produced at the meeting marked “B”, and signed by the chairman of the meeting for identification purposes), and the transactions contemplated therein, including but not limited to:

- (a) the acquisition of the entire issued share capital of Lucken Limited and the loan which is due and owing by Lucken Limited to Yue Xiu Enterprises (Holdings) Limited; and
- (b) the issue and allotment of the Lucken Consideration Shares,

be and are hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorized to do all such further acts and things and execute further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Lucken SP Agreement and the transactions contemplated thereunder.

3. **That** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of and granting permission to deal in 159,420,819 ordinary shares of HK\$0.10 each in the share capital of the Company to be issued to Hi-Watt Battery Industry Co., Ltd. (or its nominee) (the “Property Consideration Shares”) under the sale and purchase Agreement dated 9 July 2007 entered into among the Company, Hi-Watt Battery Industry Co., Ltd. and Glory Mission Development Limited (the “Property Acquisition Agreement”) (the details of which are set out in the circular dated 20 July 2007 despatched by the Company to its shareholders, a copy of which has been produced at the meeting marked “C”, and signed by the chairman of the meeting for identification purposes), and the transactions contemplated therein, including but not limited to:

- (a) the acquisition of the property situation at Hi-Watt Industrial Building, 21 Tung Yuen Street, Yau Tong, Kowloon, Hong Kong, excluding ground floor and first floor of Block A; and
- (b) the issue and allotment of the Property Consideration Shares,

be and are hereby approved, confirmed and ratified, and the directors of the Company be and are hereby authorized to do all such further acts and things and execute further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Property Acquisition Agreement and the transactions contemplated thereunder.

By order of the Board
YU Tat Fung
Company Secretary

Hong Kong, 20 July 2007

Registered office:
26th Floor, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) The register of members of the Company will be closed on Friday, 3 August 2007 to Monday, 6 August 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Thursday, 2 August 2007.
- (2) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's share registrar, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting thereof.
- (5) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting. If such member attends the meeting, however, his form of proxy will be deemed to have been revoked.
- (6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.