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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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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)**

## CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee  
and  
the Independent Shareholders**



YU MING INVESTMENT MANAGEMENT LIMITED  
禹銘投資管理有限公司

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A letter from the board of directors of the Guangzhou Investment Company Limited (the “Company”) is set out on pages 4 to 17 of this circular.

A letter from the independent board committee of the Company is set out on pages 18 to 19 of this circular.

A letter from Yu Ming Investment Management Limited, the independent financial adviser to the independent board committee and shareholders of the Company, is set out on pages 20 to 28 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, 3 March 2008 at 11:30 a.m. is set out on pages 35 to 37 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, Tricor Abacus 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 the Company or any adjustment thereof should you so wish.

14 February 2008

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## DEFINITIONS

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*Unless the context requires otherwise, the following expressions have the following meanings in this circular:*

|                                   |  |
|-----------------------------------|--|
| “Aggregate Annual Cap”            | RMB626.32 million (approximately HK\$673.46 million), being the maximum aggregate annual value of the Transactions   |
| “Announcement”                    | the announcement issued by the Company on 24 January 2008 in relation to the Transactions  |
| “Assets”                          | certain assets and workshops relating to manufacture of mechanical pulping (機漿), CTMP, wastewater treatment and mechanical production (機制)   |
| “Asset Transfer Agreement”        | the asset transfer agreement dated 27 December 2007 entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper agreed to sell and transfer the Assets to GZ Paper Holdings for a consideration of RMB328,618,000 (approximately HK\$348,444,000) |
| “associate(s)”                    | has the meaning ascribed to it under the Listing Rules   |
| “Board”                           | the board of Directors   |
| “Company”                         | Guangzhou Investment Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange and on the Singapore Exchange Securities Trading Limited   |
| “connected person(s)”             | has the meaning ascribed to it under the Listing Rules   |
| “CTMP”                            | Chemico-Thermomechanical Pulping   |
| “CTMP Facilities”                 | certain facilities and fixtures relating to CTMP   |
| “CTMP Facilities Lease Agreement” | the CTMP facilities and fixtures lease agreement dated 24 January 2008 conditionally entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings agreed to lease the CTMP Facilities to GZ Paper   |
| “Directors”                       | the directors of the Company   |
| “EGM”                             | an extraordinary general meeting to be convened by the Company on the date to be announced, or any adjournment thereof to consider and approve, if considered appropriate and/or required, the Transactions  |

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## DEFINITIONS

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|                               |  |
|-------------------------------|--|
| “Expanded Mill Premises”      | the Mill Premises after certain modifications under the Supplemental Lease Contract, with an approximate aggregate gross floor area of 187,215 square metres   |
| “Group”                       | the Company and its subsidiaries   |
| “GZ Paper”                    | Guangzhou Paper Co., Ltd. (廣州造紙股份有限公司), a joint stock company established in the PRC, the equity interest of which is held as to approximately 52.55% indirectly by the Company, approximately 47.19% by GZ Paper Holdings and approximately 0.26% by Guangzhou Maywide Technology Co., Ltd. (廣州市誠毅科技軟件開發有限公司), which is independent of and not connected with any of the directors, chief executives and substantial shareholders of the Company, or any of their respective associates |
| “GZ Paper Holdings”           | Guangzhou Paper Holdings Limited (廣州造紙集團有限公司), a limited liability company established under the laws of the PRC   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the PRC   |
| “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 Shareholders in connection with the Transactions  |
| “Independent Third Party”     | a party which is not a connected person as defined in the Listing Rules  |
| “Lease Contract”              | the Original Lease Contract as supplemented by the Supplemental Lease Contract   |
| “Latest Practicable Date”     | 12 February 2008   |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Mill Premises”               | certain land, workshops and ancillary buildings located at No.40, Guangzhi Road, Haizhu District, Guangzhou, the PRC, with an approximate aggregate gross floor area of 142,344 square metres  |
| “Original Lease Contract”     | the lease contract dated 17 October 2002 entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings leases the Mill Premises to GZ Paper  |
| “PRC”                         | People’s Republic of China   |

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## DEFINITIONS

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|   |  |
|---|--|
| “SFO”   | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)  |
| “Shareholder(s)”                                  | shareholder(s) of the Company  |
| “Stock Exchange”                                  | The Stock Exchange of Hong Kong Limited  |
| “Supplemental Lease Contract”                     | the supplemental lease contract dated 24 January 2008 conditionally entered into between GZ Paper Holdings and GZ Paper in relation to certain amendments to the Original Lease Contract   |
| “Transactions”                                    | the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract and the Utilities Supply Contract and all transactions contemplated thereunder  |
| “Utilities Supply Contract”                       | the utilities supply contract dated 17 October 2002 entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings provides electricity, water and steam to GZ Paper  |
| “Yu Ming”   | Yu Ming Investment Management Limited, a licensed corporation for types 1, 4, 6, and 9 regulated activities under the SFO, which is an Independent Third Party   |
| “Wastewater Treatment Facilities”                 | certain facilities and fixtures relating to wastewater treatment   |
| “Wastewater Treatment Facilities Lease Agreement” | the wastewater treatment facilities and fixtures lease agreement dated 24 January 2008 conditionally entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings agreed to lease the Wastewater Treatment Facilities to GZ Paper |
| “HK\$”  | Hong Kong dollars, the lawful currency of Hong Kong  |
| “RMB”   | Renminbi, the lawful currency of the PRC   |

*In this circular, certain amounts quoted in RMB have been translated into Hong Kong dollars at the reference rate of HK\$1.00 to RMB0.93 for information purposes only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.*

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## LETTER FROM THE BOARD

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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)**

*Executive directors:*

Mr. OU Bingchang (*Chairman*)

Mr. LIANG Yi

Mr. TANG Shouchun

Mr. WANG Hongtao

Mr. LI Xinmin

Mr. HE Zili

Ms. ZHOU Jin

*Registered office:*

26th Floor, Yue Xiu Building

160 Lockhart Road

Wanchai

Hong Kong

*Independent non-executive directors:*

Mr. YU Lup Fat Joseph

Mr. LEE Ka Lun

Mr. LAU Hon Chuen Ambrose

14 February 2008

*To the Shareholders*

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

Reference is made to the Announcement and the announcement of the Company dated 28 December 2007. On 27 December 2007, GZ Paper entered into the Asset Transfer Agreement with GZ Paper Holdings pursuant to which GZ Paper agreed to sell and transfer the Assets to GZ Paper Holdings which was completed on 29 December 2007.

On 24 January 2008, GZ Paper entered into the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement with GZ Paper Holdings pursuant to which GZ Paper Holdings agreed to lease the CTMP Facilities and the Wastewater Treatment Facilities to GZ Paper. GZ Paper is a joint stock company in the PRC in which the Company has approximately 52.55% indirect equity interest and GZ Paper Holdings has approximately 47.19% equity interest. GZ Paper is principally engaged in the newsprint manufacturing business in the PRC. GZ Paper Holdings, being a substantial shareholder of GZ Paper, is a connected person of the Company. GZ Paper Holdings is principally engaged in the business of coated board manufacturing and managing electricity plant in the PRC. The transactions under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement constitute continuing connected transactions under the Listing Rules.

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## LETTER FROM THE BOARD

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Reference is also made to the announcements of the Company dated 17 October 2002 and 28 February 2005 and the circulars to the Shareholders dated 9 November 2002 and 21 March 2005 in relation to certain continuing connected transactions under the Original Lease Contract and the Utilities Supply Contract between GZ Paper Holdings and GZ Paper.

On 17 October 2002, GZ Paper entered into the Original Lease Contract and the Utilities Supply Contract with GZ Paper Holdings pursuant to which GZ Paper has leased from GZ Paper Holdings the Mill Premises for a term of 20 years, and GZ Paper Holdings has supplied electricity, water and steam on 24-hour continual basis to the paper mill operated by GZ Paper on the Mill Premises for a term of 20 years.

At the time the Original Lease Contract and the Utilities Supply Contract were entered into, GZ Paper was a Sino-foreign equity joint venture in which the Company had 51% indirect equity interest and GZ Paper Holdings had 49% equity interest. The transactions under the Original Lease Contract and the Utilities Supply Contract therefore constituted continuing connected transactions of the Company under the Listing Rules. The Shareholders approved the transactions under the Original Lease Contract and the Utilities Supply Contract in an extraordinary general meeting held on 25 November 2002 and the annual caps for 3 years ended 31 December 2004. The Company obtained written approval under Rule 14A.43 of the Listing Rules from a closely allied group of Shareholders, namely Yue Xiu Enterprises (Holdings) Limited and its associates, collectively holding more than 50% in nominal value of the then issued share capital of the Company giving the right to attend and vote at the general meeting of the Company to approve continuation of the transactions under the Original Lease Contract and the Utilities Supply Contract for the annual caps for 3 years ended 31 December 2007, and the Stock Exchange granted the Company a waiver under Rule 14A.43 of the Listing Rules for written independent Shareholders' approval in lieu of holding a general meeting in respect of such transactions on 7 April 2005.

On 24 January 2008, GZ Paper entered into the Supplemental Lease Contract with GZ Paper Holdings in relation to certain amendments to the Original Lease Contract. The transactions under the Lease Contract and the Utilities Supply Contract for the annual caps for 3 years ended 31 December 2010 constitute continuing connected transactions under the Listing Rules together with the transactions under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement are subject to the independent Shareholders' approval.

The purpose of this circular is to provide the Shareholders with further information in relation to, among other things, the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract, the Utilities Supply Contract and their respective cap amount and the Transactions. A copy of the letter from the Independent Board Committee containing its advice to the Shareholders as to whether the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement and the Supplemental Lease Contract and whether the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010 are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole is set out on pages 18 to 19 of this circular.

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## LETTER FROM THE BOARD

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### THE CTMP FACILITIES LEASE AGREEMENT

**Date:**

24 January 2008

**Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

**Leased Facilities:**

The CTMP Facilities

**Rental:**

Approximately RMB382,934 (approximately HK\$411,757) per month, which was agreed between the parties at arm's length with reference to the depreciation cost method (i.e. (net book value of the CTMP Facilities / remaining useful life of the CTMP Facilities) x (1 - applicable tax percentage)). Adjustments to the rental fee are based on the market price but in any event may not exceed 5% of the previous year's rental.

**Term:**

3 years from 1 January 2008 to 31 December 2010, subject to fulfillment of the conditions precedent to the CTMP Facilities Lease Agreement or early termination as agreed by the parties in writing.

**Use:**

The CTMP Facilities shall be used by GZ Paper in its pulping, newsprint manufacturing and other related business.

GZ Paper may not, without the prior written consent of GZ Paper Holdings, transfer, sublet or charge the CTMP Facilities.

**Conditions Precedent:**

The CTMP Facilities Lease Agreement is conditional on the Shareholders having passed resolutions approving the execution and performance of the CTMP Facilities Lease Agreement.



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## LETTER FROM THE BOARD

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### THE WASTEWATER TREATMENT FACILITIES LEASE AGREEMENT

**Date:**

24 January 2008

**Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

**Leased Facilities:**

The Wastewater Treatment Facilities

**Rental:**

Approximately RMB609,114 (approximately HK\$654,961) per month, which was agreed between the parties at arm's length with reference to the depreciation cost method (i.e. (net book value of the Wastewater Treatment Facilities / remaining useful life of the Wastewater Treatment Facilities) x (1 - applicable tax percentage)). Adjustments to the rental fee are based on the market price but in any event may not exceed 5% of the previous year's rental.

**Term:**

3 years from 1 January 2008 to 31 December 2010, subject to fulfillment of the conditions precedent to the Wastewater Treatment Facilities Lease Agreement or early termination as agreed by the parties in writing.

**Use:**

The Wastewater Treatment Facilities shall be used by GZ Paper in its pulping, newsprint manufacturing and other related business.

GZ Paper may not, without the prior written consent of GZ Paper Holdings, transfer, sublet or charge the Wastewater Treatment Facilities.

**Conditions Precedent:**

The Wastewater Treatment Facilities Lease Agreement is conditional on the Shareholders having passed resolutions approving the execution and performance of the Wastewater Treatment Facilities Lease Agreement.

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## LETTER FROM THE BOARD

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### THE SUPPLEMENTAL LEASE CONTRACT

**Date:**

24 January 2008

**Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

**Leased Properties:**

The Expanded Mill Premises

**Rental:**

Approximately RMB1.485 million (approximately HK\$1.59 million) per month, which was agreed between the parties at arm's length with reference to standard rental fees set by the Guangzhou Municipal People's Government for similar premises in the area after taking into account the market rental for similar premises in the area.

**Others:**

Save and except for the above amendments, other terms of the Original Lease Contract remain unchanged. Please refer to the section headed "The Original Lease Contract" below.

The transactions under the Supplemental Lease Contract constitute continuing connected transactions under the Listing Rules and are subject to the independent Shareholders' approval.

### THE ORIGINAL LEASE CONTRACT

**Date:**

17 October 2002

**Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

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## LETTER FROM THE BOARD

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### **Leased Properties:**

Mill Premises

### **Rental:**

Approximately RMB1.446 million (approximately HK\$1.55 million) per month, which was agreed between the parties at arm's length with reference to standard rental fees set by the Guangzhou Municipal People's Government for similar premises in the area after taking into account the market rental for similar premises in the area in 2002. In the event of adjustment of standard rental fees, land use taxes and fees by the Guangzhou Municipal People's Government, the rental fee may be adjusted in accordance with the relevant regulations. Adjustments to the rental fee, however, may not exceed 5% of the previous year's rental. There has been no adjustment since the Original Lease Contract was first entered into.

The basis for calculating the rent remain unchanged from that disclosed in the announcements of the Company dated 17 October 2002 and 28 February 2005 and the circulars to Shareholders dated 9 November 2002 and 21 March 2005.

### **Term:**

20 years from 25 November 2002 which was the date on which the conditions precedent to the Original Lease Contract were fully satisfied.

### **Use:**

The leased properties shall be used by GZ Paper in its newsprint manufacturing business.

GZ Paper may not, without the prior written consent of GZ Paper Holdings, transfer, sublet or charge the leased properties.

## **THE UTILITIES SUPPLY CONTRACT**

### **Date:**

17 October 2002

### **Parties:**

Supplier: GZ Paper Holdings

User: GZ Paper

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## LETTER FROM THE BOARD

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### Utilities supplied:

Electricity, water and steam on 24-hour continual basis to the paper mill operated by GZ Paper on the Mill Premises

### Fees:

The annual fees shall be agreed in advance between the parties in writing in respect of each year during the term of the Utilities Supply Contract, the percentage of adjustment of unit rates shall not exceed the percentage of adjustment of the market price and, subject to the special adjustments mentioned below, shall not exceed 10% of the unit rates for the previous year. In the event of special adjustments made by the Guangzhou Municipal People's Government of fees for the supply of electricity, water and steam, adjustments to fees payable under the Utilities Supply Contract shall be made in accordance with the relevant requirements

The basis for estimating the annual fees remain unchanged from that disclosed in the announcements of the Company dated 17 October 2002 and 28 February 2005 and the circulars to Shareholders dated 9 November 2002 and 21 March 2005.

The annual fees for 2008 are estimated to be approximately RMB430.29 million (approximately HK\$462.68 million) which are determined with reference to the previous transactions in the period from 1 January 2007 to 31 December 2007 i.e. the consumption of the utilities by GZ Paper in the preceding year and the unit rates set for 2008 as stated below. Such unit rates are determined with reference to the applicable regulations of the Guangzhou Municipal People's Government after taking into account the production cost or the market price for provision of such utilities on an industrial basis.

Unit rates for 2008 for such utilities are set out as follows:

| <b>Utility</b> | <b>Unit Rate</b>          |
|----------------|---------------------------|
| Electricity:   | RMB0.5002 per kwh         |
| Clean water:   | RMB0.4689 per cubic metre |
| Steam:         | RMB40 per GJ              |

### Term:

20 years from 25 November 2002 which was the date on which the conditions precedent to the Utilities Supply Contract were fully satisfied.

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## LETTER FROM THE BOARD

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### PREVIOUS TRANSACTIONS

A summary of the amounts of the transactions under the Original Lease Contract and the Utilities Supply Contract for the three years ended 31 December 2007 as follows (approximate equivalent in HK\$ in brackets):

|  | <b>Year ended<br/>31 December<br/>2005<br/>(Note 1)</b> | <b>Year ended<br/>31 December<br/>2006<br/>(Note 2)</b> | <b>Year ended<br/>31 December<br/>2007<br/>(Note 3)</b> |
|--|---|---|---|
| Rent under Original Lease<br>Contract (Note 4) | RMB17,350,011<br>(HK\$16,367,934)                       | RMB17,350,011<br>(HK\$17,350,011)                       | RMB17,350,011<br>(HK\$17,897,680)                       |
| Utilities Supply Contract                      | RMB299,847,580<br><u>(HK\$282,875,075)</u>              | RMB 261,762,007<br><u>(HK\$261,762,007)</u>             | RMB 248,170,000<br><u>(HK\$256,003,714)</u>             |
| Total  | RMB317,197,591<br><u>(HK\$299,243,010)</u>              | RMB 279,112,018<br><u>(HK\$279,112,018)</u>             | RMB 265,520,011<br><u>(HK\$273,901,394)</u>             |

*Notes:*

- 1 The figures set out in this column are extracted from the audited accounts of the Group for the year ended 31 December 2005. (The exchange rate of RMB106=HK\$100 was adopted in computing the HK\$ equivalence.)
- 2 The figures set out in this column are extracted from the audited accounts of the Group for the year ended 31 December 2006. (The exchange rate of RMB100 = HK\$100 was adopted in computing the HK\$ equivalence.)
- 3 The figures set out in this column are extracted from the unaudited management accounts of the Group for the year ended 31 December 2007. (The exchange rate of RMB96.94=HK\$100 was adopted in computing the HK\$ equivalence.)
- 4 There has been no increase in rent.

The maximum aggregate annual cap for each of the three financial years ending on 31 December 2005, 2006 and 2007 is RMB416.09 million (approximately HK\$429.22 million) at an illustrative exchange rate of RMB96.94=HK\$100.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Presently the Group is principally engaged in (i) property development, management and investment, (ii) operation of toll roads and bridges, and (iii) manufacture and sale of newsprint.

The Mill Premises and the assets which generate the utilities supplied pursuant to the Utilities Supply Contract were transferred by GZ Paper to GZ Paper Holdings on 25 November 2002 in order to increase the competitiveness of GZ Paper as part of a corporate restructuring exercise. Pursuant to the Asset Transfer Agreement, GZ Paper agreed to transfer the CTMP Facilities and the Wastewater Treatment Facilities to GZ Paper Holdings to improve the asset structure, which was completed on 29 December 2007. The CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract and the Utilities Supply Contract were entered into to ensure that operations of GZ Paper's newsprint business will remain unaffected after such transfers. GZ Paper's newsprint business is dependent on the entering into and/or continuation of the Transactions. The Expanded Mill Premises are the manufacturing and operating premises of GZ Paper and the CTMP Facilities and the Wastewater Treatment Facilities are part of the operating facilities for GZ Paper to continue its newsprint business. While it may be possible for GZ Paper to locate alternative operating facilities and/or utilities supplies from other sources, the Directors do not consider that alternative facilities providers and/or suppliers (as the case may be) will be able to offer terms which are more favourable than the terms under the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement and the Utilities Supply Contract. The Directors (including the independent non-executive Directors) consider that the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement and the Lease Contract are fair and reasonable and the Utilities Supply Contract remains fair and reasonable, all these agreements and contracts were entered into in the ordinary and usual course of business of GZ Paper on normal commercial terms, which are and continue to be in the best interests of the Company and its Shareholders as a whole.

### REQUIREMENTS OF THE LISTING RULES

GZ Paper is a joint stock company in which the Company has approximately 52.55% indirect equity interest and GZ Paper Holdings has approximately 47.19% equity interest. As the applicable percentage ratios in respect of the Transactions on an annual basis, when aggregated under Rule 14A.25 of the Listing Rules, exceed 2.5%, the Transactions are subject to the reporting and announcement requirements as well as the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will also comply with the annual reporting requirements pursuant to Rules 14A.45 and 14A.46 of the Listing Rules in respect of the Transactions and the details of which will be included in the subsequent published annual report and accounts.

The Aggregate Annual Cap of the Transactions for each of the three financial years ending 31 December 2010 is RMB626.32 million (approximately HK\$673.46 million). This cap amount has been determined with reference to (i) the annual fees payable by GZ Paper for 2008 under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement agreed between the parties at arm's length with reference to the depreciation cost method (i.e. (net book value of the relevant Assets / remaining useful life of the relevant Assets) x (1 - applicable tax percentage)); (ii)

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## LETTER FROM THE BOARD

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the annual fees payable by GZ Paper for 2008 under the Lease Contract and the Utilities Supply Contract based on standard fee rates set by the Guangzhou Municipal People's Government after taking into account market prices for similar premises and utilities or the cost of production for such utilities; (iii) adjustments which may be made in accordance with the market price pursuant to the Utilities Supply Contract; (iv) adjustments which may be made in accordance with the requirements of the Guangzhou Municipal People's Government pursuant to the Lease Contract and the Utilities Supply Contract; (v) GZ Paper's estimate of its turnover for the coming three years ending on 31 December 2010; and (vi) based on the assumption that there will be no reduction in the annual fees.

The Aggregate Annual Cap above is calculated as follows:

(a) Based on the CTMP Facilities Lease Agreement:

|   |   |   |
|---|---|---|
| annual rent for 2008  | : | approximately RMB4.595 million<br>(i.e. RMB0.383 million x 12 months) |
| assumed increase of 5% of<br>previous year's annual rent for<br>2009 and 2010 | : | RMB4.595 million x 1.05 x 1.05  |
|   | = | approximately RMB5.066 million  |

(b) Based on the Wastewater Treatment Facilities Lease Agreement:

|   |   |   |
|---|---|---|
| annual rent for 2008  | : | approximately RMB7.309 million<br>(i.e. RMB0.609 million x 12 months) |
| assumed increase of 5% of<br>previous year's annual rent for<br>2009 and 2010 | : | RMB7.309 million x 1.05 x 1.05  |
|   | = | approximately RMB8.058 million  |

(c) Based on the Lease Contract:

|   |   |   |
|---|---|---|
| annual rent for 2008  | : | approximately RMB17.83 million<br>(i.e. RMB1.485 million x 12 months) |
| assumed increase of 5% of<br>previous year's annual rent for<br>2009 and 2010 | : | RMB17.83 million x 1.05 x 1.05  |
|   | = | approximately RMB19.66 million  |

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## LETTER FROM THE BOARD

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(d) Based on the Utilities Supply Contract:

|   |   |                                 |
|---|---|---------------------------------|
| annual fees for 2008  | : | approximately RMB430.29 million |
| assumed increase of 10% of<br>previous year's annual fees for<br>2009 and 2010  | : | RMB430.29 million x 1.1 x 1.1   |
|   | = | approximately RMB520.65 million |
| margin of approximately 14% to<br>take into account special<br>adjustments made by the<br>Guangzhou Municipal People's<br>Government and the estimate<br>of turnover of GZ Paper for<br>2009 and 2010 | : | RMB520.65 million x 1.14        |
|   | = | approximately RMB593.54 million |

Based on the above calculations, the Aggregate Annual Cap of the Company for each of the three financial years ending 31 December 2010 will be RMB626.32 million (approximately HK\$673.46 million) (i.e. RMB5.066 million + RMB8.058 million + RMB19.66 million + RMB593.54 million).

The term of each of the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement is 3 years and the term of each of the Lease Contract and the Utilities Supply Contract is 20 years. Under Rule 14A.35(1) of the Listing Rules, a continuing connected transaction which is not fully exempted must be governed by an agreement for a fixed period not exceeding three years unless there are special circumstances requiring a longer duration. The Directors are of the view that it would be normal business practice for contracts of a similar nature to the Lease Contract and the Utilities Supply Contract to be entered into on a long-term basis and such special circumstances exist for the following reasons:

- (a) the Original Lease Contract and the Utilities Supply Contract were part and parcel of the corporate restructuring of GZ Paper and the Original Lease Contract and the Utilities Supply Contract had been approved by the Shareholders on 25 November 2002. A key feature of the corporate restructuring involved the disposal by GZ Paper to GZ Paper Holdings of, amongst other things, the Mill Premises, the plants and machinery for the generation of electricity, water and steam for use and consumption by the paper mill operated by GZ Paper. To secure the use of the Mill Premises and the continuous supply of electricity, water and steam for the uninterrupted operation of the paper mill, which is the sole business carried on by GZ Paper. GZ Paper negotiated for both the Original Lease Contract and the Utilities Supplies Contract to run for a term of 20 years, such that the said contracts would secure a long-term smooth operation of GZ Paper;
- (b) the Lease Contract and the Utilities Supply Contract contained clear provisions and limitations on price increases, which the Directors consider to be fair and reasonable and in the interests of the Company and its Shareholders as a whole;



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## LETTER FROM THE BOARD

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- (c) the Original Lease Contract and the Utilities Supply Contract were entered into prior to introduction of Rule 14A.35(1), they do not provide for unilateral termination without cause prior to the agreed term of 20 years, there is no assurance that any negotiations with GZ Paper Holdings to shorten the term of both contracts would be successful, and even if GZ Paper Holdings agrees to replace the subsisting contracts with three-year term contracts there is no assurance that they will be on the same terms and conditions. Termination of such contracts will adversely affect the operation of GZ Paper and the Group; and
- (d) the Lease Contract and the Utilities Supply Contract secure the premises and infrastructure for GZ Paper's production premises, three-year term contracts will expose GZ Paper to the risk of having to relocate causing severe disruption to its operations if such agreements and/or contracts cannot be renewed upon expiry or if such agreements and/or contracts are renewed on less favourable terms and conditions.

In view of the above special circumstances and the factors addressed by Yu Ming in this circular in connection with the Lease Contract, for the purposes of compliance with Rule 14A.35(1), the Directors are of the view that in the context of corporate reorganizations involving sale or purchase of substantial production assets, it is normal business practice to enter into long term leases in relation to those production assets to secure uninterrupted operation of the business utilizing them, and it is also normal business practice for companies engaged in utilities supply to enter into long term supply contracts.

If the cap amount is at any time exceeded, or if the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract or the Utilities Supply Contract are altered, or if GZ Paper enters into new arrangements or agreements with GZ Paper Holdings or any other connected persons during the period from 1 January 2008 to 31 December 2010, the Company will comply with the applicable provisions of Chapter 14A of the Listing Rules governing connected transactions.

### **EGM**

The Company proposes to seek the approvals of the Shareholders at the EGM relating to the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010. No Shareholder is required to abstain from voting at the EGM in respect of the Transactions.

The votes to be taken at the EGM in relation to the resolutions for approval by the Shareholders of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010 will be taken by poll.

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## LETTER FROM THE BOARD

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For the purposes of the EGM, the register of members of the Company will be closed from Friday, 29 February 2008 to Monday, 3 March 2008 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Thursday, 28 February 2008.

Each Shareholder who has the right to attend and vote at the EGM, is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and vote on his behalf at the EGM. The relevant proxy form for use in connection with the EGM is enclosed with this circular.

Whether or not you are able to attend the meeting, please complete and return the enclosed proxy forms in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the proxy forms will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising Mr. YU Lup Fat Joseph, Mr. LEE Ka Lun and Mr. LAU Hon Chuen Ambrose, has been formed to advise the Shareholders in respect of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010. Yu Ming has been appointed as the independent financial adviser for the purpose of advising the Independent Board Committee and the independent Shareholders in respect of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 18 to 19 of this circular and the letter from Yu Ming as set out on pages 20 to 28 of this circular.

Having taken into account the advice of Yu Ming, the Independent Board Committee considers the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement and the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010 are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION

Further information of the Company is set out in the appendix to this circular for your information.

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

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

14 February 2008

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 14 February 2008 of the Company (“**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement and the Supplemental Lease Contract and the Aggregate Annual Cap and to advise the Shareholders whether, in our opinion, the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement and the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010 are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Yu Ming has been appointed to advise us and the Shareholders in respect of the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the Transactions.

We wish to draw your attention to the letter from the Board set out on pages 4 to 17 of the Circular which contains, inter alia, information about the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the Transactions, and the letter of advice from Yu Ming set out on pages 20 to 28 of the Circular which contains its advice in respect of the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the Transactions.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taking into account the advice of Yu Ming, we consider the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010 are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010.

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

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## LETTER FROM YU MING

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*The following is the full text of a letter of advice from Yu Ming to the Independent Board Committee and the independent Shareholders prepared for the purpose of inclusion in this circular.*



YU MING INVESTMENT MANAGEMENT LIMITED  
禹銘投資管理有限公司

14th February, 2008

Guangzhou Investment Company Limited  
26th Floor, Yue Xiu Building  
160-174 Lockhart Road  
Wanchai  
Hong Kong

To the Independent Board Committee and the Shareholders

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the Company's announcement dated 24th January, 2008. We have been appointed to advise the Independent Board Committee and the independent Shareholders in respect of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract and the Utilities Supply Contract, details of which are set out in the Letter from the Board contained in the circular to the Shareholders dated 14th February, 2008 (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 provided to us by the Directors for which they are solely responsible. We have assumed that all those statements, information, opinions and representations are, to the best of the knowledge of the Directors, true and accurate at the time they were made and continue to be so on the date of this letter.

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

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## LETTER FROM YU MING

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believe there are no other facts or representations 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 or GZ Paper Holdings.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

#### **Background Information of CTMP Facilities Lease Agreement and Wastewater Treatment Facilities Lease Agreement**

On 27th December, 2007, GZ Paper entered into the Asset Transfer Agreement with GZ Paper Holdings pursuant to which GZ Paper agreed to sell and transfer the Assets to GZ Paper Holdings which was completed on 29th December, 2007. The Assets (including CTMP Facilities and Wastewater Treatment Facilities as part and parcel of the Asset Transfer Agreement) were sold at RMB328.6 million (approximately HK\$348.4 million) pursuant to the valuation by an independent valuer as at 31st October, 2007 (“New Valuation”), generating a gain of approximately RMB98.8 million (approximately HK\$104.8 million) (“Gain”).

On 24th January, 2008, GZ Paper entered into the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement with GZ Paper Holdings pursuant to which GZ Paper Holdings agreed to lease the CTMP Facilities and the Wastewater Treatment Facilities to GZ Paper. GZ Paper is a joint stock company in the PRC in which the Company has approximately 52.55% indirect equity interest and GZ Paper Holdings has approximately 47.19% equity interest. GZ Paper Holdings, being a substantial shareholder of GZ Paper, is a connected person of the Company. As a result, the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement constitute continuing connected transactions under the Listing Rules and require the independent Shareholders’ approval.

#### **CTMP Facilities Lease Agreement**

On 24th January, 2008, GZ Paper entered into the CTMP Facilities Lease Agreement with GZ Paper Holdings pursuant which GZ Paper Holdings shall lease the CTMP Facilities to GZ Paper for a term of 3 years from 1st January, 2008 to 31st December, 2010 for its pulping, newsprint manufacturing and other related business.

a. *Reasons*

The CTMP Facilities are used by GZ Paper for its pulping, newsprint manufacturing and other related business. The CTMP Facilities Lease Agreement was entered into as a part of the corporate restructuring exercise in order to increase the competitiveness and to ensure a smooth continuation of the operations of GZ Paper’s newsprint business after the completion of Asset Transfer Agreement. The CTMP Facilities are part of the essential operating facilities for GZ Paper to continue its newsprint business.

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## LETTER FROM YU MING

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b. *Terms*

i. Rental

The monthly rental of RMB382,934 (approximately HK\$411,757) was agreed between the parties at arm's length with reference to the depreciation cost method (that is, (net book value of the CTMP Facilities/the remaining useful life of the CTMP Facilities) x (1 - applicable tax percentage)). The rental expenses will then be based on the New Valuation and higher than the original depreciation expenses if GZ Paper continued to own the CTMP Facilities. However, in view of the Gain arising from the Asset Transfer Agreement, we consider that the basis on arriving at the rental is fairly and reasonably determined.

ii. Rental adjustment and annual cap

The rental would be adjusted upward or downward in accordance with the market price, subject to annual adjustment of no more than 5%. The relevant annual cap of RMB5.066 million has also assumed a 5% compound annual increase in rental from 2008 to 2010. Since the PRC is facing tremendous inflationary pressure (according to National Bureau of Statistics of China, the latest inflation rate of the PRC was 6.9% in November 2007), odds of rental upside are greater than downside. We consider that the adjustment mechanism, and annual cap can mitigate the rental upside risk and are thus fair and reasonable.

iii. Term

The term of the CTMP Facilities Lease Agreement is expected to be 3 years from 1st January, 2008 and to expire on 31st December, 2010 which is subject to fulfilment of the conditions precedent to the CTMP Facilities Lease Agreement or early termination as agreed by the parties in writing.

Having considered the above, we are of the opinion that the terms and annual cap of the CTMP Facilities Lease Agreement are fair and reasonable so far as the interest of the Shareholders are concerned.

### **Wastewater Treatment Facilities Lease Agreement**

On 24th January, 2008, GZ Paper entered into the Wastewater Treatment Facilities Lease Agreement with GZ Paper Holdings pursuant to which GZ Paper Holdings will lease the Wastewater Treatment Facilities to GZ Paper for a term of 3 years from 1st January, 2008 to 31st December, 2010 for its pulping, newsprint manufacturing and other related business.

a. *Reasons*

The Wastewater Treatment Facilities is used by GZ Paper for its pulping, newsprint manufacturing and other related business. The Wastewater Treatment Facilities Lease Agreement was



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## LETTER FROM YU MING

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entered into as a part of the corporate restructuring exercise in order to increase the competitiveness and to ensure the smooth continuation of the operations of GZ Paper's newsprint business after the completion of Asset Transfer Agreement. The Wastewater Treatment Facilities are part of the essential operating facilities for GZ Paper to continue its newsprint business.

b. *Terms*

i. *Rental*

The monthly rental of RMB609,114 (approximately HK\$654,961) was agreed between the parties at arm's length with reference to the depreciation cost method (that is, (net book value of the Wastewater Treatment Facilities/the remaining useful life of the Wastewater Treatment Facilities) x (1 - applicable tax percentage)). The rental expenses will then be based on the New Valuation and higher than the original depreciation expenses if GZ Paper continued to own the Wastewater Treatment Facilities. However, in view of the Gain arising from the Asset Transfer Agreement, we consider that the basis on arriving at the rental is fairly and reasonably determined.

ii. *Rental adjustment and annual cap*

The rental would be adjusted upward and downward in accordance with the market price, subject to annual adjustment of no more than 5%. The relevant annual cap of RMB8.058 million has also assumed a 5% compound annual increase in rental from 2008 to 2010. Since the PRC is facing tremendous inflationary pressure, odds of rental upside are greater than downside. We consider that the adjustment mechanism and annual cap can mitigate the rental upside risk and are thus fair and reasonable.

iii. *Term*

The term of the Wastewater Treatment Facilities Lease Agreement is expected to be 3 years from 1st January, 2008 and to expire on 31st December, 2010 which is subject to fulfilment of the conditions precedent to the Wastewater Treatment Facilities Lease Agreement or early termination as agreed by the parties in writing.

Having considered the above, we are of the opinion that the terms and annual cap of the Wastewater Treatment Facilities Lease Agreement are fair and reasonable so far as the interest of the Shareholders are concerned.

### **Background Information of Lease Contract and Utilities Supply Contract**

On 17th October, 2002, GZ Paper entered into the Original Lease Contract and the Utilities Supply Contract with GZ Paper Holdings, pursuant to which GZ Paper leases from GZ Paper Holdings the Mill Premises for a term of 20 years, and GZ Paper Holdings supplies electricity, water and steam on 24-hour continuous basis to the paper mill operated by GZ Paper on the Mill Premises for a term of 20 years respectively.

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## LETTER FROM YU MING

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At the time of the Original Lease Contract and the Utilities Supply Contract were entered into between GZ Paper and GZ Paper Holdings; GZ Paper was owned as to 49% by GZ Paper Holdings and 51% indirectly by the Company. The transactions under the Original Lease Contract and the Utilities Supply Contract therefore constituted continuing connected transactions of the Company under the Listing Rules.

In April 2005, the Company obtained written approval under Rule 14A.43 of the Listing Rules from a closely allied group of Shareholders, namely Yue Xiu Enterprises (Holdings) Limited and its associates, collectively holding more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at the general meeting of the Company to approve continuation of the transactions under the Original Lease Contract and the Utilities Supply Contract, and Stock Exchange had granted a conditional waiver with a period of 3 years in respect of the Original Lease Contract and the Utilities Supply Contract and such waiver expired on 31st December, 2007.

On 24th January, 2008, GZ Paper entered into the Supplemental Lease Contract with GZ Paper Holdings in relation to certain amendments to the Original Lease Contract. Shareholders' approval on continuation of the Transactions under the Lease Contract and the Utilities Supply contract for the three financial years ending 31st December, 2008, 2009 and 2010 is required pursuant to 14A.35(4) of the Listing Rules.

### **Lease Contract**

On 17th October, 2002, GZ Paper entered into the Original Lease Contract with GZ Paper Holdings pursuant to which GZ Paper leases the Mill Premises with total gross floor area of approximately 142,344 square meters from GZ Paper Holdings for a monthly rental of approximately RMB1.446 million (approximately HK\$1.55 million), subject to annual adjustment of no more than 5%, for a term of 20 years.

On 24th January, 2008, GZ Paper entered into the Supplemental Lease Contract as a supplement to the Original Lease Contract with GZ Paper Holdings with amendments in rental, pursuant to which GZ Paper will lease the Expanded Mill Premises with total gross floor area of approximately 187,215 square metres from GZ Paper Holdings for a monthly rental of approximately RMB1.485 million (approximately HK\$1.59 million). Apart from the amendments in rental payable, other terms of the Original Lease Contract remain unchanged.

#### *a. Prevailing Market Rates*

Supplemented by the Supplemental Lease Contract, the monthly rental payable under the Lease Contract has been adjusted to RMB7.93 (approximately HK\$8.53) per square meter from RMB10.16 (approximately HK\$10.92) per square meter under the Original Lease Contract. Furthermore, based on the research we have conducted on the rental of industrial sites in the Haizhu District<sup>1</sup>, Guangzhou,

<sup>1</sup> Based on information available on [www.2house114.com](http://www.2house114.com), [www.gzcf.net](http://www.gzcf.net), [www.gzcgxx.com](http://www.gzcgxx.com), which are websites pertaining to PRC properties.

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## LETTER FROM YU MING

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where the Expanded Mill Premises are situated, the monthly rental offers range from approximately RMB8 (approximately HK\$8.6) to RMB23 (approximately HK\$24.73) per square metre. Therefore, the rental for the Expanded Mill Premises under the Lease Contract is at the low end of the comparable range.

b. *Annual Cap*

In the event of adjustment of standard rental, land use taxes and fees by the Guangzhou Municipal People's Government, the rental fee may be adjusted upward or downward in accordance with the relevant regulations, subject to annual adjustment of no more than 5%. The relevant annual cap of RMB19.66 million has assumed a 5% compound annual increase in rental from 2008 to 2010. Since the PRC is facing tremendous inflationary pressure, odds of rental upside are greater than downside. We consider that the adjustment mechanism and annual cap can mitigate the rental upside risk and are thus fair and reasonable.

Having considered the above, we are of the opinion that the terms and the cap of the Lease Contract are fair and reasonable so far as the interest of the Shareholders is concerned.

### **Utilities Supply Contract**

On 17th October, 2002, GZ Paper entered into the Utilities Supply Contract with GZ Paper Holdings pursuant to which GZ Paper Holdings supplies electricity, water and steam on a 24-hour continuous basis to the paper mill operated by GZ Paper on the Mill Premises for a term of 20 years. Similar to the Lease Contract, the annual fees shall be agreed in writing in advance between GZ Paper and GZ Paper Holdings in respect of each year during the term of the Utilities Supply Contract. The percentage of adjustment of unit rates shall not exceed the percentage of adjustment of the market price and, subject to the special adjustments mentioned below, shall not exceed 10% of the unit rates for the previous year. In the event of special adjustments made by the Guangzhou People's Government of fees for the supply of electricity, water and steam, adjustments to fees payable under the Utilities Supply Contract shall be made in accordance with the relevant requirements.

a. *Prevailing Market Rates*

The annual fee for 2008 is estimated to be approximately RMB430.29 million (approximately HK\$462.68 million) which is determined with reference to the previous transactions in the period from 1st January, 2007 to 31st December, 2007 (that is, the consumption of the utilities by GZ Paper in the preceding year and the unit rates set for 2008 as stated below.

Unit rates for 2008 under the Utilities Supply Contract are as follows:

| <b>Utility</b> | <b>Unit Rate</b>          |
|----------------|---------------------------|
| Electricity    | RMB0.5002 per kwh         |
| Clean Water    | RMB0.4689 per cubic meter |
| Steam          | RMB40 per GJ              |

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## LETTER FROM YU MING

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According to 廣東省物價局 (“Price Bureau of Guangdong Province”), the official guidance price for industrial use electricity in Guangzhou with effective from 1st August, 2006 is RMB0.602 (approximately HK\$0.65) per kwh, which is 20% higher than the corresponding unit rate for GZ Paper in 2008.

During the same period, the latest official guidance price published on 8th October, 2006 by Price Bureau of Guangdong Province for the industrial use water in Guangzhou is RMB1.83 (approximately HK\$1.97) per cubic metre, which is 290% higher than the corresponding unit rate for GZ Paper in 2008.

Guidance price for steam is not available. However, based on the statistics compiled by the Price Bureau of Guangdong Province released in January 2008, we noted that the price index for combustion fuel have risen by 46.31% from January 2005 to January 2008. We believe this should reflect the change in the cost of steam as the production of steam involves mainly the combustion of coal. During the same period, the unit rate for steam supplied by GZ Paper Holdings have increased only by a less extent of 27.80%.

All in all, we are of the view that the annual fee and unit rates for 2008 are fair and reasonable.

b. *Annual Cap*

The annual cap of RMB593.54 million (approximate HK\$638.2 million) is based on the following assumptions: (i) 2008 annual fee of RMB430.29 million (approximately HK\$462.68 million); (ii) a 10% compound annual increase in fee from 2008 to 2010.; (iii) the margin of 14% to take into account special adjustments made by the Guangzhou Municipal People’s Government and estimate of turnover of GZ Paper for 2009 and 2010.

For assumption (i), as mentioned in paragraph (a) of the section “Utilities Supply Contract” above, the 2008 annual fee is fair and reasonable. For assumption (ii), the adjustment is determined with reference to change in market price and can be upward or downward, which is also fair and reasonable. Furthermore, in view of the compound annual growth rate of 16.9% in level of production of GZ Paper from 2005 to 2007, the margin of 14% (comprising both the possible turnover growth and adjustments made by the Guangzhou Municipal People’s Government) is considered conservative. Therefore, assumption (iii) is also valid.

Having considered the above, we are of the opinion that the terms and the annual cap of the Utilities Supply Contract are fair and reasonable so far as the interest of the Shareholders is concerned.

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## LETTER FROM YU MING

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### Term of Supplemental Lease Contract

We shall opine on the respective term of the Supplemental Lease Contract by focusing on two areas. Firstly, the reason a longer period is required for the contract. Secondly, whether it is a normal business practice for the contract of this type to be of such duration.

The Supplemental Lease Contract was entered into as a supplement to the Original Lease Contract which was part and parcel of the corporate restructuring of GZ Paper and had been approved by the Shareholders on 25th November, 2002. The Original Lease Contract together with the Utilities Supply Contract were entered into as a result of a corporate restructuring aimed at raising the competitiveness of GZ Paper through a debt-for-asset swap in which GZ Paper Holdings had forgiven approximately RMB660 million (approximately HK\$623 million at the time of the transaction) in debt owed by GZ Paper for the Mill Premises. As a condition for GZ Paper Holdings to waive the substantial amount of liabilities, GZ Paper had to enter into the Original Lease Contract and the Utilities Supply Contract for a term of 20 years to ensure GZ Paper Holdings of a constant revenue stream from the Mill Premises.

The Original Lease Contract as supplemented by the Supplemental Lease Contract secures the premises and infrastructure for GZ Paper's production premises, three-year term contracts may expose GZ Paper to the risk of having to relocate causing severe disruption to its operations if such agreements and/or contracts cannot be renewed upon expiry or if such agreements and/or contracts are renewed on less favourable terms and conditions. Therefore, with an aim to ensure stability on the business operations of GZ Paper which has so far proven mutually beneficial to both GZ Paper and GZ Paper Holdings, we believe a longer period for the Supplemental Lease contract is required.

Moreover, it is not uncommon for PRC companies to enter into lease agreements of long duration. We set out below comparable transactions carried out by companies listed in Hong Kong:

1. On 14th January, 2008, Weiqiao Textile Company Limited entered into an asset transfer agreement with 山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited) to acquire certain production facilities. Upon completion, Weiqiao Textile Company Limited and its subsidiaries would lease from Shandong Weiqiao Chuangye Group Company Limited the land use rights in Shandong Province on which the said facilities are situated for a term of 20 years; and
2. On 23rd May, 2007, a subsidiary of China Power International Development Limited (the "Subsidiary") entered into a supplemental agreement with 中國電力投資集團公司 (China Power Investment Corporation) to supplement a land lease agreement dated 27th August, 2004 for a term of 15 years. Pursuant to the land lease agreement, China Power Investment Corporation would lease the land on which the production plant of the Subsidiary is situated.

Based on the rationale and comparables set out above, we believe the term of the Supplemental Lease Contract as a supplement to the Original Lease Contract is fair and reasonable and it is a normal business practice for the Supplemental Lease Contract to be of such duration.

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## LETTER FROM YU MING

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### RECOMMENDATION

Having taken into account the information and representations provided to us and the above principal factors, we are of the opinion that the terms and the annual cap of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract and the Utilities Supply Contract are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the resolutions to approve the continuation of the Lease Contract and the Utilities Supply Contract and to approve the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement.

Yours faithfully,  
For and on behalf of  
**YU MING INVESTMENT MANAGEMENT LIMITED**  
**Warren Lee**  
*Director*

## 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF DIRECTORS' INTERESTS IN THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives (if any) of the Company had, or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was 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 positions which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

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

| Directors        | Interests in the Company or its associated corporation | Capacity in holding interest | Approximate percentage of shareholding in the same class of securities (%) | Number and class of securities |
|------------------|--|------------------------------|--|--------------------------------|
| Mr. Lee Ka Lun   | The Company  | Beneficial owner             | 0.049  | 3,500,000 shares               |
| Mr. Wang Hongtao | The Company  | Beneficial owner             | 0.002  | 160,000 shares                 |
| Ms. Zhou Jin     | The Company  | Beneficial owner             | 0.001  | 100,000 shares                 |

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

| Directors         | Interests in the Company or its associated corporation | Capacity in holding interest | Date of grant (Note) | Exercise price per share (HK\$) | Number of outstanding share options |
|-------------------|--|------------------------------|----------------------|---------------------------------|-------------------------------------|
| Mr. Tang Shouchun | The Company  | Beneficial owner             | 23/06/2004           | 0.63                            | 1,560,000                           |

*Note:*

The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30 per cent.; and (ii) 60 per cent. (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 grant, respectively.

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

As at the Latest Practicable Date, none of the Directors and 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 8 in this appendix 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.

### 3. DISCLOSEABLE INTERESTS OF SHAREHOLDERS OF THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive (if any) of the Company, no person (not being a Director or chief executive (if any) of the Company nor any member of the Group), had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or who was directly or indirectly interested in 10 per cent. or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of the Company.

| <b>Name</b>   | <b>Interests in which member of the Group</b> | <b>Capacity in holding interest</b> | <b>Long/short position</b> | <b>Approximate percentage of shareholding in the same class of securities (%)</b> | <b>Number and class of securities held</b> |
|---|---|-------------------------------------|----------------------------|---|--|
| Yue Xiu Enterprises (Holdings) Limited<br><i>(Note)</i> | The Company                                   | Interest of controlled corporations | Long position              | 46.81   | 3,333,935,248 shares                       |



| Name   | Interests in which member of the Group | Capacity in holding interest                                    | Long/short position | Approximate percentage of shareholding in the same class of securities (%) | Number and class of securities held |
|--|--|---|---------------------|--|-------------------------------------|
| J. P. Morgan Chase & Co.                           | The Company                            | Beneficial owner, investment manager and approved lending agent | Long position       | 5.97   | 424,849,061 shares                  |
|  |  |   | Lending pool        | 5.81   | 413,616,000 shares                  |
| The Children's Investment Fund Management (UK) LLP | The Company                            | Investment manager  | Long position       | 5.13   | 365,482,000 shares                  |
| The Children's Investment Master Fund              | The Company                            | Beneficial owner  | Long position       | 5.13   | 365,482,000 shares                  |

*Note:*

Yue Xiu Enterprises (Holdings) Limited is deemed by the SFO to be interested in 3,333,935,248 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

| Name   | Capacity in holding interest        | Long/short position | Number and class of securities held |
|--|-------------------------------------|---------------------|-------------------------------------|
| Excellence Enterprises Co., Ltd. (“ <b>Excellence</b> ”) ( <i>Note i</i> ) | Interest of controlled corporations | Long position       | 3,325,548,981 shares                |
| Bosworth International Limited (“ <b>Bosworth</b> ”)                       | Beneficial owner                    | Long position       | 2,430,846,821 shares                |
| Sun Peak Enterprises Ltd. (“ <b>Sun Peak</b> ”) ( <i>Note ii</i> )         | Interest of controlled corporation  | Long position       | 565,683,000 shares                  |
| Novena Pacific Limited (“ <b>Novena</b> ”)                                 | Beneficial owner                    | Long position       | 565,683,000 shares                  |
| Shine Wah Worldwide Limited (“ <b>Shine Wah</b> ”) ( <i>Note iii</i> )     | Interest of controlled corporation  | Long position       | 158,049,000 shares                  |
| Morrison Pacific Limited (“ <b>Morrison</b> ”)                             | Beneficial owner                    | Long position       | 158,049,000 shares                  |

| Name   | Capacity in holding interest       | Long/short position | Number and class of securities held |
|--|------------------------------------|---------------------|-------------------------------------|
| Perfect Goal Development Co., Ltd.<br>("Perfect Goal") (Note iv) | Interest of controlled corporation | Long position       | 135,737,000 shares                  |
| Greenwood Pacific Limited<br>("Greenwood")                       | Beneficial owner                   | Long position       | 135,737,000 shares                  |
| Seaport Development Limited<br>("Seaport") (Note v)              | Interest of controlled corporation | Long position       | 35,233,160 shares                   |
| Goldstock International Limited<br>("Goldstock")                 | Beneficial owner                   | Long position       | 35,233,160 shares                   |
| Yue Xiu Finance Company Limited                                  | Beneficial owner                   | Long position       | 8,386,267 shares                    |

- i. Excellence, a wholly-owned subsidiary of Yue Xiu Enterprises (Holdings) Limited, is deemed by the SFO to be interested in 3,325,548,981 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, namely Bosworth, Sun Peak, Shine Wah, Perfect Goal and Seaport.
- ii. Sun Peak is deemed by the SFO to be interested in 565,683,000 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiary, Novena.
- iii. Shine Wah is deemed by the SFO to be interested in 158,049,000 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiary, Morrison.
- iv. Perfect Goal is deemed by the SFO to be interested in 135,737,000 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiary, Greenwood.
- v. Seaport is deemed by the SFO to be interested in 35,233,160 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiary, Goldstock.

#### 4. SERVICE CONTRACTS

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

#### 5. NO MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006 the date to which the latest published consolidated audited accounts of the Group were made up.

## 6. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Article 58 of the articles of association of the Company sets out the procedures 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 the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Supplemental Lease Contract and the continuation of the Transactions at the Aggregate Annual Cap for each of the three financial years ending on 31 December 2008, 2009 and 2010 as set out in this circular.

## 7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 8. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion, letter or advice contained in this circular:

| <b>Name</b> | <b>Qualifications</b>  |
|-------------|--|
| Yu Ming     | a licensed corporation for types 1, 4, 6, and 9 regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Shareholders |

As at the Latest Practicable Date, Yu Ming had given and had not withdrawn its written consent to the issue of this circular with the inclusions of its statement and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, Yu Ming was not interested in the share capital of any members of the Group nor has any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities in any members of the Group.

## **9. MISCELLANEOUS**

- (a) The registered office of the Company is situated at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (b) The secretary of the Company is Mr. Yu Tat Fung, solicitor of the High Court of Hong Kong.
- (c) The qualified accountant of the Company is Miss Lam Sing Wah. Miss Lam holds a Master Degree in Professional Accounting from The Hong Kong Polytechnic University and a Master Degree in Accounting from The Jinan University of China. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (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 are available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong up to and including Thursday, 28 February 2008:

- (a) the CTMP Facilities Lease Agreement;
- (b) the Wastewater Treatment Facilities Lease Agreement;
- (c) the Lease Contract;
- (d) the Utilities Supply Contract;
- (e) the letter from Yu Ming to the Shareholders as set out on pages 20 to 28 of this circular;
- (f) the written consent of Yu Ming referred to in paragraph 8 of this appendix; and
- (g) the memorandum and articles of association of the Company.

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## NOTICE OF EGM

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Guangzhou Investment Company Limited (the “**Company**”) will be convened and held at 11:30 a.m. on Monday, 3 March 2008 at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong to consider and, if thought fit, approve the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** a conditional CTMP facilities and fixtures lease agreement (the “**CTMP Facilities Lease Agreement**”) entered into between Guangzhou Paper Co., Ltd. (廣州造紙股份有限公司) (“**GZ Paper**”), an indirect subsidiary of the Company and Guangzhou Paper Holdings Limited (廣州造紙集團有限公司) (“**GZ Paper Holdings**”) on 24 January 2008 (a copy of which has been tabled at this meeting marked “A” and signed by the chairman of the meeting for identification purpose), pursuant to which GZ Paper Holdings agreed to lease certain facilities and fixtures relating to Chemico-Thermomechanical Pulping to GZ Paper and all the transactions contemplated under the CTMP Facilities Lease Agreement be and are hereby approved, ratified and confirmed and the directors of GZ Paper be and are hereby authorized to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary or desirable to give effect to the CTMP Facilities Lease Agreement and the transactions contemplated thereby or incidental thereto.”
2. “**THAT** a conditional wastewater treatment facilities and fixtures lease agreement (the “**Wastewater Treatment Facilities Lease Agreement**”) entered into between GZ Paper and GZ Paper Holdings on 24 January 2008 (a copy of which has been tabled at this meeting marked “B” and signed by the chairman of the meeting for identification purpose), pursuant to which GZ Paper Holdings agreed to lease certain facilities and fixtures relating to wastewater treatment to GZ Paper and all the transactions contemplated under the Wastewater Treatment Facilities Lease Agreement be and are hereby approved, ratified and confirmed and the directors of GZ Paper be and are hereby authorized to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary or desirable to give effect to the Wastewater Treatment Facilities Lease Agreement and the transactions contemplated thereby or incidental thereto.”
3. “**THAT** a supplemental lease contract (the “**Supplemental Lease Contract**”) entered into between GZ Paper and GZ Paper Holdings on 24 January 2008 in relation to certain amendments to the lease contract dated 17 October 2002 (the “**Original Lease Contract**”, together with the Supplemental Lease Contract, the “**Lease Contract**”) (a copy of which has been tabled at this

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## NOTICE OF EGM

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meeting marked “C” and signed by the chairman of the meeting for identification purpose) entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings leases certain land, workshops and ancillary buildings located at No.40, Guangzhi Road, Haizhu District, Guangzhou, the People’s Republic of China to GZ Paper for a term of 20 years and all the transactions contemplated under the Supplemental Lease Contract be and are hereby approved, ratified and confirmed and the directors of GZ Paper be and are hereby authorized to do all such acts and things and execute all such documents as they may in their absolute discretion consider necessary or desirable to give effect to the Lease Contract and the transactions contemplated thereby or incidental thereto.”

4. “**THAT** the maximum aggregate annual cap of RMB626.32 million (approximately HK\$673.46 million) for the lease of certain facilities and fixtures under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement, the lease of certain land, workshops and ancillary buildings under the Lease Contract and the supply of certain utilities under the utilities supply contract dated 17 October 2002, as more particularly described in the circular dated 14 February 2008 despatched to the shareholders of the Company, for each of the three financial years ending on 31 December 2008, 2009 and 2010 be and is hereby approved.”

By Order of the Board  
**Guangzhou Investment Company Limited**  
**Ou Bingchang**  
*Chairman*

Hong Kong, 14 February 2008

**Registered office:**

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

*Notes:*

1. The register of members of the Company will be closed on Friday, 29 February 2008 to Monday, 3 March 2008, 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, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, no later than 4:00 p.m. on Thursday, 28 February 2008.
2. A 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.

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## NOTICE OF EGM

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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, Tricor Abacus 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.