THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 and the accompanying form of proxy 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).

越秀投資有限公司
GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

Financial adviser to the Company

Piper Jaffray

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

A letter from the Board is set out on pages 5 to 14 of this circular.

A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 15 of this circular.

A letter of advice from Yu Ming to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 30 of this circular.

A notice convening the EGM to be held at Plaza I-III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 10 December 2008 at 9:30 a.m. is set out on pages 55 to 56 of this circular. Whether or not you are able to attend the EGM, 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 later than 48 hours before the time appointed for holding of the EGM (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 EGM or any adjustment thereof should you so wish.

24 November 2008

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

"associate(s)"	shall have the same meaning as ascribed to it under the Listing Rules
"BVI"	the British Virgin Islands
"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
"Completion"	completion of the Transfer Agreement in accordance with its terms
"Completion Date"	the fifth business day after the date on which the last of the conditions to the Transfer Agreement has been satisfied or waived or such other date as the parties to the Transfer Agreement may agree in writing prior to Completion
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder
"Goldkemp"	Goldkemp Investment Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
"Goldkemp Group"	Goldkemp and its subsidiaries
"Goldkemp Share"	one ordinary share of par value US$1.00 in the issued share capital of Goldkemp, representing the entire issued share capital of Goldkemp
"Goldkemp Shareholder Loan"	all the interest free loans owing by Goldkemp to the Group other than any members of the Goldkemp Group immediately before Completion
"Group"	the Company and its subsidiaries

"Guangzhou 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 Guangzhou Paper Holdings Limited (廣州造紙集團有限公司) 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
"HK$"	Hong Kong dollars, the lawful currency in Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hotel"	The South China Hotel (粵華酒店), a hotel property located at 67-75 Java Road, North Point, Hong Kong and wholly owned by YXE through Techcon
"Hotel Management Agreement"	the agreement dated 5 January 2007 made between Techcon and Yue Xiu International Development Limited whereby the operation and management of the Hotel was subcontracted by Techcon to the latter for a term of 3 years from 1 January 2007 to 31 December 2009
"Hotel Security"	the mortgage over the Hotel dated 7 May 2008 together with the assignment of insurances dated 7 May 2008 in respect of the Hotel relating to certain loan facility of YXE
"Independent Board Committee"	an independent board committee, comprising Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose, all being the independent non-executive Directors, to advise the Independent Shareholders of the Company in respect of the Transfer, the Transfer Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder
"Independent Third Party"	person or company who/which is not connected with the respective Directors, chief executive or substantial Shareholders (as defined under the Listing Rules) of the Company and its subsidiaries or any of their associates
"Latest Practicable Date"	20 November 2008, being the latest practicable date for ascertaining certain information for inclusion in this circular

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Pacific Max"	Pacific Max Industrial Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of Goldkemp
"Pacific Max Assignment of Loans"	the assignment of loans dated 28 December 2006 for the assignment of all shareholder's loans owed to Goldkemp by Pacific Max as security for certain loan facility of the Company
"Pacific Max Share Mortgage"	the share mortgage over the entire issued share capital of Pacific Max dated 28 December 2006 executed by Goldkemp relating to certain loan facility of the Company
"PRC"	People's Republic of China
"SFO"	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
"Techcon"	Techcon Investment Limited (迪康投資有限公司), a company incorporated in Hong Kong with limited liability and is indirectly wholly owned by YXE
"Techcon Capitalisation Shares"	998 Techcon Shares to be allotted and issued to YXE and/or its subsidiaries pursuant to the Techcon Shareholder Loan Capitalisation
"Techcon Sale Share(s)"	all Techcon Shares that are in issue as at Completion, including the Techcon Capitalisation Shares to be allotted and issued
"Techcon Shareholder Loan"	all the interest bearing loans (including interests accrued thereon) which are owing (whether due for payment or not) by Techcon to YXE and/or its subsidiaries immediately before the implementation of the Techcon Shareholder Loan Capitalisation
"Techcon Shareholder Loan Capitalisation"	the subscription of the Techcon Capitalisation Shares by YXE and/or its subsidiaries at an aggregate price equivalent to the amount of the Techcon Shareholder Loan to be paid and satisfied by capitalising the entire Techcon Shareholder Loan

"Techcon Share(s)"	ordinary share(s) of par value HK$1.00 each in the issued share capital of Techcon
"Transfer"	the transfer to the Company and/or its nominee(s) by YXE of its entire rights, title, interests and benefit of and in the Techcon Sale Shares and the payment of HK$250 million by YXE in exchange for all the Company's rights, title, interests and benefit of and in, the Goldkemp Share and the Goldkemp Shareholder Loan to YXE and/or its nominee(s)
"Transfer Agreement"	the agreement in relation to the Transfer dated 3 November 2008 entered into between the Company and YXE
"Valuer"	Greater China Appraisal Limited, an independent valuer
"Yue Wei Paper"	Guangzhou Yue Wei Paper Limited (廣州越威紙業有限公司), a company incorporated in the PRC and is beneficially owned as to approximately 92.56% by Guangzhou 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
"YXE"	Yue Xiu Enterprises (Holdings) Limited, a company incorporated in Hong Kong and, as at the Latest Practicable Date, is beneficially interested in approximately 46.83% and 100% interests in the Company and Techcon respectively
"YXE Group"	YXE and its subsidiaries
"%"	per cent.

The English translations of Chinese names or words in this circular are for information purposes only, and should not be regarded as the official English translation of such Chinese names or words.

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. LU Zhifeng *(Chairman)*
Mr. ZHANG Zhaoxing
Mr. LIANG Yi
Mr. TANG Shouchun
Mr. WANG Hongtao
Ms. ZHOU Jin
Mr. LI Xinmin
Mr. HE Zili

Independent non-executive Directors:
Mr. YU Lup Fat Joseph
Mr. LEE Ka Lun
Mr. LAU Hon Chuen Ambrose

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

24 November 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

On 3 November 2008, the Company announced that it had entered into the Transfer Agreement with YXE. Pursuant to the Transfer Agreement, the Company has conditionally agreed to procure the transfer and assignment to YXE and/or its nominee(s) of all its rights, title, interests and benefit of and in (i) the Goldkemp Share, and (ii) the Goldkemp Shareholder Loan in exchange for the transfer to the Company and/or its nominee(s) of all YXE's rights, title, interests and benefit of and in the Techcon Sale Shares and the payment by YXE of HK$250 million in cash.

The Transfer constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders of the Company by poll at the EGM under the Listing Rules. YXE and its associates will abstain from voting at the EGM in respect of the proposed resolution to approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder. The Transfer also constitutes a discloseable transaction of the Company under the Listing Rules.

The purpose of this circular is to give you (i) further information on the Transfer; (ii) valuation report of Goldkemp's attributable interests in Guangzhou Paper; (iii) valuation report of the Hotel; (iv) the advice from Yu Ming to the Independent Board Committee and the Independent Shareholders in relation to the Transfer; (v) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Transfer; (vi) a notice of EGM; and (vii) other information as required under the Listing Rules.

THE TRANSFER AGREEMENT

Date

3 November 2008

Parties to the Transfer Agreement

The Company and YXE

The assets to be transferred

Pursuant to the Transfer Agreement, the Company has conditionally agreed to procure the transfer and assignment to YXE and/or its nominee(s) of all its rights, title, interests and benefit of and in (i) the Goldkemp Share, and (ii) the Goldkemp Shareholder Loan in exchange for the transfer to the Company and/or its nominee(s) of all YXE's rights, title, interests and benefit of and in the Techcon Sale Shares and the payment by YXE of HK$250 million in cash. Goldkemp, through Pacific Max, is beneficially interested in approximately 52.55% in Guangzhou Paper and is the investment holding company of the Company's newsprint business. Goldkemp's shares in and shareholder's loans to Pacific Max are currently subject to the Pacific Max Share Mortgage and the Pacific Max Assignment of Loans respectively, both as security for certain loan facility of the Company, which are required to be released by the relevant lenders thereof on or before Completion (see paragraphs (e) and (f) of the paragraph headed "Conditions" below). The asset of Techcon is primarily the Hotel which is currently in operation in Hong Kong and managed by the current management team of Techcon and Yue Xiu International Development Limited, a wholly-owned subsidiary of YXE, under the Hotel Management Agreement. The Hotel is currently subject to the Hotel Security to secure certain loan facility of YXE. The Hotel Management Agreement and the Hotel Security are required to be terminated and released by Yue Xiu International Development Limited and the lenders thereof respectively on or before Completion (see paragraphs (d) and (g) of the paragraph headed "Conditions" below).

The total consideration for the Transfer is HK$650 million, which was arrived at after arm's length negotiations between the Company and YXE with reference to (i) the negotiated value of Goldkemp's 52.55% interests in Guangzhou Paper in the amount of HK$650 million which represents an approximately 8.7% discount to the valuation of Goldkemp's attributable interests in Guangzhou Paper in the amount of approximately HK$712 million as at 31 August 2008 as appraised by the

Valuer, based on market value arrived at by adjusted book value method; and (ii) the negotiated value of the Hotel in the amount of HK$400 million which represents a 4.8% discount to its market value as at 30 September 2008 in the amount of HK$420 million as appraised by the Valuer, based on market value arrived at by comparison method.

The cash consideration of HK$250 million, being the difference between the negotiated value of Goldkemp's 52.55% interests in Guangzhou Paper and the negotiated value of the Hotel, will be paid by YXE through its own resources to the Company upon Completion.

Conditions

Completion shall be conditional upon fulfillment of all of the following conditions:

a) the Company being satisfied with its due diligence review and investigation in respect of Techcon and its businesses and assets including but not limited to the Hotel and the business now carried on at the Hotel;

b) the representations, warranties and undertakings given by YXE under the Transfer Agreement being true and accurate in all material respects as of Completion Date;

c) the representations, warranties and undertakings given by the Company under the Transfer Agreement being true and accurate in all material respects as of Completion Date;

d) the termination of the Hotel Management Agreement and the unconditional release of Techcon from the obligations and liabilities thereunder by the relevant party or parties;

e) the unconditional release and termination of the Pacific Max Share Mortgage;

f) the unconditional release and termination of the Pacific Max Assignment of Loans;

g) the unconditional release and termination of the Hotel Security;

h) the Company having obtained all necessary approvals or consents which may be required under any indenture, mortgage, charge, trust, lease, agreement, instrument or obligations to which the Company is a party or by which any member of the Group or any of their respective assets is bound, including but without limitation, approvals or consents from its bank creditors to the disposal of the Goldkemp Share, assignment of the Goldkemp Shareholder Loan and its acquisition of the Techcon Sale Shares pursuant to the Transfer Agreement;

i) YXE having obtained all necessary approvals or consents which may be required under any indenture, mortgage, charge, trust, lease, agreement, instrument or obligation to which YXE is a party or by which any member of the YXE Group or any of their respective assets is bound, including but without limitation, approvals or consents from its bank creditors to its disposal of the Techcon Sale Shares and its acquisition of the Goldkemp Share and assignment of the Goldkemp Shareholder Loan pursuant to the Transfer Agreement;

j) the Independent Shareholders having passed all necessary resolution(s) at the EGM approving the Transfer, the Transfer Agreement and the transactions contemplated thereunder;

k) the Stock Exchange and the Singapore Exchange Securities Trading Limited not having notified the Company that the listing of its securities will or may be suspended as a result of Completion;

l) all other approvals or consents necessary or appropriate for or in connection with the transactions contemplated under the Transfer Agreement having been obtained; and

m) the Techcon Shareholder Loan Capitalisation and the issue and allotment of the Techcon Capitalisation Shares having completed.

The Transfer Agreement shall be terminated automatically and none of the parties to the Transfer Agreement shall have any claim against the other party save in respect of any antecedent breaches if any of the above conditions is not satisfied (unless waived as to the above conditions (a) and (b) by the Company and as to the above condition (c) by YXE) on or before three months from the date of the Transfer Agreement or such other date as the parties to the Transfer Agreement may agree.

Completion

Completion shall take place as soon as practicable following satisfaction (or waiver) of all the conditions precedent to the Transfer Agreement on Completion Date.

Upon Completion, Goldkemp will cease to be a subsidiary of the Company and the Company will cease to have any operation in newsprint business.

INFORMATION ON THE COMPANY

The Company is principally engaged in (i) property development and investment in the PRC and Hong Kong, (ii) development, operation and management of toll highways and bridges, and (iii) manufacturing and selling of newsprint in the PRC.

INFORMATION ON GOLDKEMP, GUANGZHOU PAPER AND YUE WEI PAPER

Goldkemp is principally engaged in the holding of approximately 52.55% interests in Guangzhou Paper, which in turn, is principally engaged in the holding of approximately 92.56% interests in Yue Wei Paper. Guangzhou Paper and Yue Wei Paper are both engaged in the manufacturing and selling of newsprint in the PRC. Goldkemp has no material assets and liabilities other than its interests in Guangzhou Paper and the Goldkemp Shareholder Loan.

Set out below is the unaudited consolidated financial information of the Goldkemp Group for the two years ended 31 December 2007 and the six months ended 30 June 2008 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December		For the six months ended 30 June
	2006	**2007**	**2008**
	Unaudited	*Unaudited*	*Unaudited*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Profit/(Loss) before taxation and extraordinary items	39,045	68,449	(241,901)
Profit/(Loss) after taxation and extraordinary items	30,394	37,282	(187,876)

The above unaudited consolidated loss before and after taxation and extraordinary items of the Goldkemp Group for the six months ended 30 June 2008 was mainly attributable to an one-off impairment for certain production lines at Guangzhou Paper totaling at approximately HK$246 million (before taxation). The unaudited consolidated net asset value of the Goldkemp Group (before deduction of the Goldkemp Shareholder Loan of approximately HK$539 million) as at 30 June 2008 was approximately HK$745 million. There has been no material change in the amount of the Goldkemp Shareholder Loan since 30 June 2008.

INFORMATION ON YXE AND TECHCON

YXE is principally engaged in a wide range of businesses and industries, including property investment and development (through the Company); toll roads and bridges (through GZI Transport Limited); newsprint (through the Company), cement and ready mixed concrete, dry cell battery manufacturing, financial, stock broking and insurance services as well as hotel operations (through Techcon).

Techcon is principally engaged in hotel investment and operations in Hong Kong. The asset of Techcon is primarily the Hotel which is a 202-room hotel with gross floor area of approximately 7,023 square meters and is currently in operation in Hong Kong. It is located at 67-75 Java Road, North Point, Hong Kong. The Hotel was acquired by Techcon in 1997 and the original purchase cost of the Hotel to Techcon was HK$500 million.

Set out below is the financial information of Techcon for the two years ended 31 December 2007 and the nine months ended 30 September 2008 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December		For the nine months ended 30 September
	2006	**2007**	**2008**
	Audited	*Audited*	*Unaudited*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
(Loss)/Profit before taxation and extraordinary items	(96,888)	(30,953)	5,981
(Loss)/Profit after taxation and extraordinary items	(96,888)	(30,953)	5,981

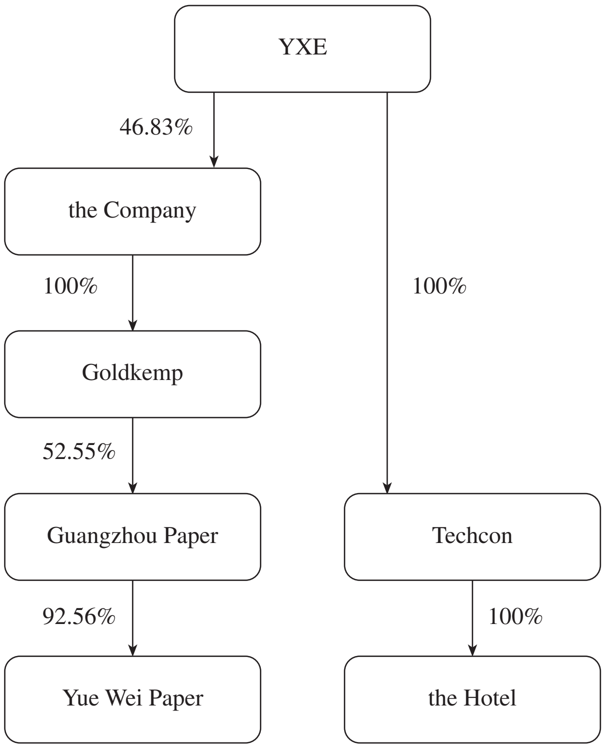
The above audited loss before and after taxation and extraordinary items of Techcon for each of the two years ended 31 December 2007 was arrived at after the deduction of interest expense incurred in respect of the loan from the YXE Group of approximately HK$90 million and HK$30 million respectively. In addition, management fee in respect of the Hotel Management Agreement of approximately HK$6 million and HK$9 million was incurred for each of the two years ended 31 December 2007 respectively. The hotel management fee and shareholder loan interest for the year 2008 have been waived by the YXE Group. As a result of the Techcon Shareholder Loan Capitalisation and the termination of the Hotel Management Agreement before Completion, the aforesaid expenses will no longer be incurred by Techcon after Completion.

The unaudited net deficit of Techcon (after deduction of the Techcon Shareholder Loan of approximately HK$1,118 million which will be capitalised before Completion) as at 30 September 2008 was approximately HK$844 million. The unaudited net assets value of Techcon (before deduction of the Techcon Shareholder Loan of approximately HK$1,118 million) as at 30 September 2008 was approximately HK$274 million. The book value of the Hotel as at 30 September 2008 was approximately HK$269 million.

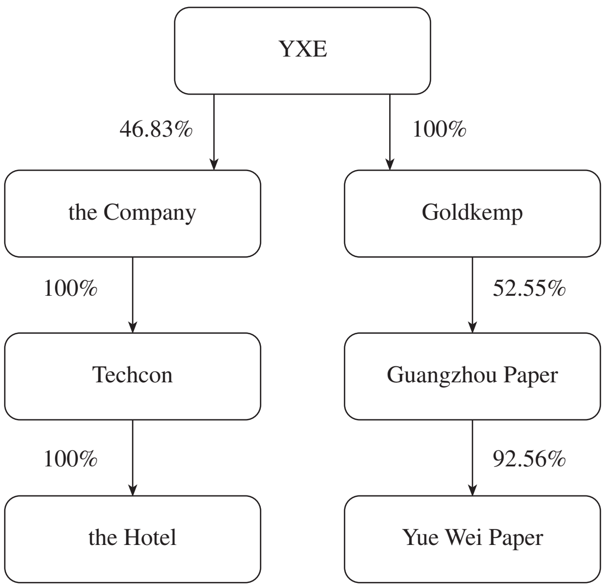
GROUP STRUCTURE

The following is the simplified group structure of the Company, YXE, Goldkemp and Techcon immediately prior to and after Completion:

Immediately prior to Completion:



Immediately after Completion:



REASONS FOR, BENEFITS AND EFFECTS OF THE TRANSFER

The Company is principally engaged in property development, toll roads and newsprint business. It is desirious to streamline its business structure and focus on the property and infrastructure business.

The Transfer is in line with the Company's direction in streamlining its business, as it enables the Company to dispose of a non-core investment, namely the newsprint business, and increase its portfolio of property available for re-development. The Directors currently intend to continue the operation of the Hotel and when appropriate in future, the Company will redevelop the site on which the Hotel is situated. The Hotel will continue to be managed by its current management team in Techcon. The Company expects Techcon to be self sustainable in terms of cashflow. If Techcon can continue to perform as in the nine months ended 30 September 2008, it will even be able to generate additional cashflow for the Group.

Whilst the Company considers that the newsprint business will provide stable profitability in the long term, however, the newsprint business has recently increased its capacity and requires time to build up its utilisation to fulfil this potential, which, under the recent market and economic developments, is subject to certain degree of risk. Based on the unaudited consolidated management accounts of the Goldkemp Group as at 30 June 2008, the Goldkemp Group incurred a total debt of approximately HK$4,550 million. Accordingly, Completion of the Transfer will improve the gearing ratio of the Group. In addition, Completion of the Transfer will also enable the Group to realise cash proceeds of HK$250 million for additional working capital for the ongoing development of the Group's core property development and investment business. Completion will also result in an estimated net gain of approximately HK$70 million to the Group. The estimated net gain on the Transfer is calculated based on the difference between the fair value of the consideration as at 30 September 2008 and the unaudited consolidated net asset value of the Goldkemp Group as at 30 June 2008 after taking into account the release of the exchange reserve. The final and actual net gain/loss on the Transfer may change depending on the fair value of the consideration and the consolidated net asset value of the Goldkemp Group at the Completion Date. All the transaction costs in relation to the Transfer (the estimated total costs being approximately HK$4 million, exclusive of a total fee of approximately HK$2.5 million which may be incurred by the Company for getting the consents and approvals required under the Transfer Agreement) shall be borne by the Company and YXE in equal shares, no matter whether or not the Transfer is completed. Upon Completion, Techcon will become an indirect wholly-owned subsidiary of the Company and the Group will fully consolidate the financial results of Techcon into the Group's financial statements and the earnings, assets and liabilities of the Group would be increased by the earnings, assets and liabilities currently attributable to Techcon. The Company will also cease to hold any equity interests in the Goldkemp Group upon Completion and the earnings, assets and liabilities of the Group would be reduced by the earnings, assets and liabilities currently attributable to the Goldkemp Group.

Having considered that the Transfer (a) is in line with the Group's development direction; (b) will improve the Group's gearing ratio; (c) will generate cash proceeds to the Group; and (d) is expected to result in a net gain to the Group, the Directors consider that the terms of the Transfer are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, YXE is beneficially interested in approximately 46.83% and 100% of the issued share capital of the Company and Techcon respectively. As YXE is the controlling Shareholder and thus a connected person (as defined under the Listing Rules) of the Company, the Transfer constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders by poll at the EGM under the Listing Rules. YXE and its associates, who held and controlled the voting right over 3,337,485,248 Shares as at the Latest Practicable Date, will abstain from voting at the EGM in respect of the proposed resolution to approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder. As the applicable percentage ratios to the Transfer under the Listing Rules are more than 5% but less than 25%, the Transfer also constitutes a discloseable transaction of the Company under the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. YU Lup Fat Joseph, Mr. LEE Ka Lun and Mr. LAU Hon Chuen Ambrose, has been formed to advise the Independent Shareholders in respect of the Transfer, the Transfer Agreement and the transactions contemplated thereunder.

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 Transfer, the Transfer Agreement and the transactions contemplated thereunder.

EGM

A notice convening the EGM is set out on pages 55 to 56 of this circular. At the EGM, a resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder, where votes will be taken by poll at the EGM.

For the purposes of the EGM, the register of members of the Company will be closed from Monday, 8 December 2008 to Wednesday, 10 December 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 4:30 p.m. on Friday, 5 December 2008.

Each Independent 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 and also published at the website of the Stock Exchange (www.hkex.com.hk).

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 later than 48 hours before the time appointed for holding the EGM. 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.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 15 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Transfer, the Transfer Agreement and the transactions contemplated thereunder; and the letter from Yu Ming as set out on pages 16 to 30 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transfer, the Transfer Agreement and the transactions contemplated thereunder and the principal factors considered by Yu Ming in arriving at its advice.

Having taken into account the advice of Yu Ming, the Independent Board Committee considers the terms of the Transfer, the Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

FURTHER INFORMATION

Further information of the Company is set out in the appendices to this circular.

By order of the Board
Guangzhou Investment Company Limited
LU Zhifeng
Chairman

越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 123)

24 November 2008

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular dated 24 November 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 advise you whether, in our opinion, the terms of the Transfer, the Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as you are concerned and in the interests of the Company and the Shareholders as a whole. Yu Ming has been appointed to advise you and us in respect of the terms of the Transfer, the Transfer Agreement and the transactions contemplated thereunder. Details of Yu Ming's advice and the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 16 to 30 of the circular. Your attention is also drawn to the letter from the Board in the circular and the additional information set out in the appendices thereto.

Having taking into account the advice of Yu Ming, we consider the terms of the Transfer, the Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as you 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 resolution to be proposed at the EGM to approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder.

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

The following is the text of a letter of advice from Yu Ming Investment Management Limited, which has been prepared for the purpose of incorporation into this Circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Transfer, the Transfer Agreement and the transaction contemplated thereunder.

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

24th November, 2008

To the Independent Board Committee
and the Independent Shareholders

Dear Sirs,

DISCLOSABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Company's announcement dated 3rd November, 2008. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transfer, the Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" contained in the circular to the Shareholders dated 24th November, 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.

On 3rd November, 2008, the Company entered into the Transfer Agreement with YXE pursuant to which the Company has conditionally agreed to procure the transfer and assignment to YXE and/or its nominee(s) of all its rights, title, interests and benefit of and in (i) the Goldkemp Share, and (ii) the Goldkemp Shareholder Loan in exchange for the transfer to the Company and/or its nominee(s) of all YXE's rights, title, interests and benefit of and in the Techcon Sale Shares and the payment by YXE of HK$ 250 million in cash.

As at the Latest Practicable Date, YXE is beneficially interested in approximately 46.83% and 100% of the issued share capital of the Company and Techcon respectively. As YXE is the controlling Shareholder and thus a connected person (as defined under the Listing Rules) of the Company, the Transfer constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders by poll at the EGM under the Listing Rules. YXE and its associates, who held and controlled the voting right over 3,337,485,248 Shares as at the Latest Practicable Date, will abstain from voting at the EGM in respect of the proposed resolution to approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder. As the applicable percentage ratios of the Transfer calculated pursuant to the Listing Rules are more than 5% but less than 25%, the Transfer also constitutes a discloseable transaction of the Company under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. YU Lup Fat Joseph, Mr. LEE Ka Lun and Mr. LAU Hon Chuen Ambrose, has been established to advise and give recommendation to the Independent Shareholders regarding the Transfer, the Transfer Agreement and the transactions contemplated thereunder. We, Yu Ming Investment Management Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Transfer, the Transfer Agreement and the transaction contemplated thereunder, in particular, as to whether the terms of the Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, and in the interests of the Company and its Shareholders as a whole. Yu Ming Investment Management Limited is independent of the Company and YXE. Apart from normal professional fees payable to us in connection with appointment as an independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the aforementioned parties.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed the Transfer Agreement and the valuation reports set out in Appendices I and II of this Circular. 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 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 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 any independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have taken into account the following principal factors:

I. Background to and reasons for the Transfer

The Group is principally engaged in (i) property development and investment in the PRC and Hong Kong, (ii) development, operation and management of toll highways and bridges, and (iii) manufacturing and selling of newsprint in the PRC. According to 2007 annual report of the Group, the property and other related business, newsprint business and the toll road business accounted for approximately 65%, 23% and 12% of total turnover of the Group. The Group's entire newsprint business is operated under the Goldkemp Group.

As set out in the Group's 2007 annual report, with domestic newsprint prices reporting a drop while prices for raw materials such as waste paper and energy surged, it was a difficult period for the operation of the newsprint business. The management also anticipated in the 2007 annual report that the intense competition in the newsprint business will continue. During the fiscal period in 2007, the Group successfully proceeded PM9 at Nan Sha Plant to trial production with the expectation to commence commercial production in 2008. PM8 at Hai Zhu Plant also completed its technical up-grading and improved its annual production capacity from 130,000 tonnes to 170,000 tonnes. Some non-core assets and workshops such as mechanical pulping and wastewater treatment facilities were also sold by the Group during the 2007 fiscal period.

It was also set out in the 2008 interim report of the Group that the operation of the newsprint business remained challenging. Despite the Beijing Olympics factor which caused domestic newsprint prices to be raised several times, gross profit margin during the first half of 2008 dipped to approximately 9% as raw material and energy costs continued to rise, compared to the gross profit margin of approximately 12.37% in the first half of 2007. During the first half in 2008, PM9 with designed annual production capacity of 280,000 tonnes at the Nan Sha Plant proceeded to commercial production successfully. PM5, 6 and 7, with total annual production capacity of 130,000 tonnes at the Hai Zhu Plant, which lacked competitiveness by reason of age, small scale and relatively high operating costs at current circumstances, were considered to be inefficient. This led to an impairment of approximately HK$246 million, and resulted in a loss attributable to equity holders of approximately HK$98 million for the 6-month period ended 30th June, 2008.

The Directors consider that it is desirous to streamline its business structure and to concentrate on property and infrastructure business. As set out in the "Letter from the Board" of this Circular, the Transfer is in line with the Company's direction in streamlining its business, as it enables the Company to dispose of a non-core investment, namely the newsprint business, and increase its portfolio of property available for re-development. The Directors currently intend to continue the operation of the Hotel and when appropriate in the future, the Company will redevelop the site on which the Hotel is situated. The Hotel will continue to be managed by its current management team in Techcon. The Company expects Techcon to be self sustainable in terms of cashflow. If Techcon can continue to perform as in the nine months ended 30th September, 2008, it will even be able to generate additional cashflow for the Group.

Whilst the Company considers that the newsprint business will provide stable profitability in the long term, however, the increased capacity of the newsprint business requires time to build up its utilisation to fulfil this potential, which, under the recent market and economic developments, is subject to certain degree of risk. Based on the unaudited consolidated management accounts of the Goldkemp Group as at 30th June, 2008, Goldkemp Group incurred a total debt of approximately HK$4,550 million. Accordingly, the completion of the Transfer will lower the gearing ratio of the Group. In addition, the completion of the Transfer will also enable the Group to realise cash proceeds of HK$250 million as additional working capital for the ongoing development of the Group's core property development and investment business.

The Completion will also result in an estimated net gain of approximately HK$70 million to the Group. The estimated net gain on the Transfer is calculated based on the difference between the fair value of the consideration as at 30th September, 2008 and the unaudited consolidated net asset value of the Goldkemp Group as at 30th June, 2008 after taking into account the release of the exchange reserve. The final and actual net gain/loss on the Transfer may change depending on the fair value of the consideration and the consolidated net asset value of the Goldkemp Group at the Completion Date after deducting relevant costs involved. Upon Completion, Techcon will become an indirect wholly-owned subsidiary of the Company and the Group will fully consolidate the financial results of Techcon into the Group's financial statements and the earnings, assets and liabilities of the Group would be increased by the earnings, assets and liabilities currently attributable to Techcon. The Company will also cease to hold any equity interests in the Goldkemp Group upon Completion and the earnings, assets and liabilities of the Group would be reduced by the earnings, assets and liabilities currently attributable to the Goldkemp Group.

Having considered that the Transfer (a) is in line with the Group's development direction; (b) will improve the Group's gearing ratio; (c) will generate cash proceeds to the Group; and (d) is expected to result in a net gain to the Group, the Directors consider that the terms of the Transfer Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

II. **Principal terms of the Transfer Agreement**

Date: 3rd November, 2008

Parties: The Company and YXE

Assets to be transferred:

Pursuant to the Transfer Agreement, the Company has conditionally agreed to procure the transfer and assignment to YXE and/or its nominee(s) of all its rights, title, interests and benefit of and in (i) the Goldkemp Share, and (ii) the Goldkemp Shareholder Loan. In exchange, YXE will transfer to the Company all its rights title, interests and benefit of and in the Techcon Sale Shares with cash consideration of HK$250 million.

Goldkemp, through Pacific Max, is beneficially interested in approximately 52.55% in Guangzhou Paper and is the investment holding company of the Group's newsprint business. Guangzhou Paper in turn holds 92.56% of Yue Wei Paper. Goldkemp's shares in and shareholder's loans to Pacific Max are currently subject to the Pacific Max Share Mortgage and the Pacific Max Assignment of Loans respectively, both as security for certain loan facility of the Company, which are required to be released by the relevant lenders thereof on or before Completion.

Techcon is principally engaged in hotel investment and operations in Hong Kong. The asset of Techcon is primarily the Hotel, which has 202 rooms with gross floor area of approximately 7,023 square meters. It is located at 67-75 Java Road, North Point, Hong Kong. The Hotel was acquired by Techcon in 1997 and the original purchase cost of the Hotel to Techcon was approximately HK$500 million. The Hotel is currently managed by the management teams of Techcon and Yue Xiu International Development Limited, a wholly-owned subsidiary of YXE, under the Hotel Management

Agreement. The Hotel is currently subject to the Hotel Security to secure certain loan facility of YXE. The Hotel Management Agreement and the Hotel Security are required to be terminated and released by Yue Xiu International Development Limited and the lenders thereof respectively on or before Completion.

Consideration:

The consideration for the Transfer is HK$650 million, which was arrived at after arm's length negotiations between the Company and YXE with reference to (i) the negotiated value of Goldkemp's 52.55% interests in Guangzhou Paper amounted to HK$650 million, which represents an approximately 8.7% discount to the valuation of Goldkemp's attributable interests in Guangzhou Paper amounting to approximately HK$712 million as at 31st August, 2008 as appraised by the Valuer, based on market value arrived at by adjusted book value method; and (ii) the negotiated value of the Hotel of HK$400 million which represents a 4.8% discount to its market value as at 30th September, 2008 amounting to HK$420 million as appraised by the Valuer, based on market value arrived at by comparison method.

The cash consideration of HK$250 million, being the difference between the negotiated value of Goldkemp's 52.55% interests in Guangzhou Paper and the negotiated value of the Hotel, will be paid by YXE through its own resources to the Company upon Completion.

III. Valuation of Goldkemp's attributable interest in Guangzhou Paper

(a) *Valuation methodologies, bases and assumptions*

To assess the fairness and reasonableness of the consideration for the Transfer, the Valuer has completed a valuation of Goldkemp and assessed the market value of Goldkemp's major assets, being its 52.55% attributable interest in Guangzhou Paper. We have reviewed the valuation report carried out by the Valuer dated 24th November, 2008 as set out in Appendix I to the Circular.

It is set out in the "Letter from the Board" and the valuation report in Appendix I of the Circular that Goldkemp and Pacific Max are holding companies and have no material assets and liabilities other than their interests in Guangzhou Paper.

In formulating the opinion of market value of Goldkemp's controlling and non-marketable interest in Guangzhou Paper, the Valuer has considered the market approach, the income approach, and the asset approach and adopted the asset approach.

The market approach develops a value using the principle of substitution. This simply means that if one thing is similar to another and could be used (in the case of Goldkemp's valuation also means invested in) for the other, then they must be equal. Furthermore, the price of two alike and similar items should be close to each other. For the market approach to be used, there must be a sufficient number of comparable companies to make comparisons, or, alternatively, the industry composition must be such that meaningful comparisons can be made. The Valuer considered but decided against the market approach primarily because (i) Guangzhou Paper has reported a net loss for the first half of 2008 and operating loss in 2007; and (ii) Guangzhou Paper is not comparable to other public comparable companies given the business size, recent operating and financial performances of Guangzhou Paper.

The income approach is the most generally accepted way of determining a value indication of a business/project, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount. The Valuer considered but decided against the income approach due to (i) Guangzhou Paper is unable to provide a reliable financial forecast given the uncertain and volatile newsprint market and economic condition; and (ii) Guangzhou Paper has recently increased its capacity and requires time to build up its utilisation to fulfil stable profitability, which, under the recent market and economic development, is subject to certain degree of risk.

The asset approach is based on the so-called economic principle of substitution, which essentially measures what is the net asset value today and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted book value method is used to estimate the current fair value of the business or its assets. The Valuer accepted the adjusted book value method considering that Guangzhou Paper is very capital intensive and has significant assets and liabilities recorded in the balance sheet.

Having discussed with the Valuer its valuation methodology rationale analysed above, which is in compliance with relevant standard published by the Hong Kong Business Valuation Forum and the Hong Kong Institute of Surveyors and taking into account the industry outlook as set out in the valuation report, we are of the opinion that the bases and assumptions for determining the valuation of the Guangzhou Paper by the Valuer are in line with the market practice and are appropriate and reasonable.

(b) ***Consideration***

The total consideration for the Transfer is HK$ 650 million, representing an approximately 8.7% discount to the appraised value of Goldkemp's attributable interests in Guangzhou Paper, a price earnings ("**PE**") multiple of 17.43 and a price to book ("**PB**") ratio of 0.91. As set out in the "Letter from the Board" and in the valuation report in Appendix I of the Circular, Goldkemp and Pacific Max are holding companies and have no material assets and liabilities other than their respective interests in Guangzhou Paper. We have conducted a limited research on the market peers of Guangzhou Paper. The selection of market peers is based on paper companies which offer similar or close products as Guangzhou Paper and are listed and traded on the Main Board of the Stock Exchange as at the Latest Practicable Date. The following table sets out the trading multiples of relevant companies in the sector:

Table-A

Company	Stock code	Principal business	Financial year end	Period end of the latest published financial results	Market capitalization as at the Latest Practicable Date *(HK$ million)*	PE	PB
Nine Dragons Paper (Holdings) Limited	2689	Manufacture and sale of packaging paperboard products and kraft pulp in the PRC	30-Jun	30-Jun-08	5,717	2.65	0.37
Shandong Chenming Paper Holdings Limited	1812	Manufacture of paper products including art paper,white paper board, duplex press paper, writing paper, news press paper, paperboard and light weight coated paper	31-Dec	30-Jun-08	4,619	3.25	0.30
Lee & Man Paper Manufacturing Limited	2314	Manufacturing and sale of paper and pulp	31-Mar	31-Mar-08	3,105	2.17	0.39
Qunxing Paper Holdings Company Limited	3868	Manufacturing and sale of a kind of specialty paper products, decorative base paper products and printing paper products	31-Dec	30-Jun-08	1,205	3.03	0.51
Hung Hing Printing Group Limited	450	Printing and manufacturing of paper and carton boxes, corrugated cartons and trading of paper	31-Mar	31-Mar-08	897	N/A	0.37
China Sunshine Paper Holdings Company Limited	2002	Production and sale of white top linerboard, lightcoated linerboard and core board.	31-Dec	30-Jun-08	330	2.12	0.23

Company	Stock code	Principal business	Financial year end	Period end of the latest published financial results	Market capitalization as at the Latest Practicable Date *(HK$ million)*	PE	PB
New Island Printing Holdings Limited	377	Printing and manufacture of high quality multi-colour packaging products and carton boxes; printing of books, brochures and other paper products	31-Mar	31-Mar-08	61	8.05	0.21
Climax International Company Limited	439	Design, development, production and marketing of paper products, including photo albums, gift items and stationery	31-Mar	31-Mar-08	29	N/A	0.24
High						**8.05**	**0.51**
Average						**3.55**	**0.33**
Median						**2.84**	**0.34**
Low						**2.12**	**0.21**
Goldkemp		**Manufacturing of newsprint paper**	**31-Dec**	**30-Jun-08**	**N/A**	**17.43**	**0.91**

Source: Annual reports and interim reports of selected reference companies published on the Stock Exchange.

Notes:

a. Market capitalisation is based on the closing price of the respective selected reference companies as quoted on the Stock Exchange as at the Latest Practicable Date.

b. Historical PE and PB ratios of selected reference Companies are calculated based on net profit after taxation as extracted from the latest available full year financial results and net asset value extracted from the latest available full year or half year financial statements of the respective selected reference companies and their respective trading prices on the Stock Exchange as at the Latest Practicable Date.

c. PB ratio of Goldkemp is calculated based on the consideration payable by YXE and the appraised valuation of Goldkemp's attributable interests in Guangzhou Paper as at 31st August, 2008. PE ratio of Goldkemp is calculated based on the consideration payable by YXE and the unaudited consolidated earnings of Goldkemp for the year ended 31st December, 2007.

d. Range, average and median for selected reference companies were calculated excluding PE and PB ratios of Goldkemp.

The consideration for the Transfer is at approximately 17.43 times price to earnings multiple based on Goldkemp's 2007 full year consolidated earnings and approximately 0.91 times price to book ratio, both of which are above the range of trading multiples of market peers.

However, we would like to highlight that while the reference company analysis as set out above can reflect current market sentiment towards the sector and provide guidance on valuation, the analysis does not take into account differences of market position, size, particular target market customers, operating environments, business models and product applications, all of which varies the overall valuation of individual companies in their respective dynamics. Independent Shareholders should appreciate that these comparable figures are for reference and guidance only. Independent Shareholders are also reminded that the market capitalisation as well as trading multiples of reference companies used as comparables herein might be affected by and therefore undervalued due to high trading price volatility on the Stock Exchange as aroused from the global financial crisis and the prevailing market conditions.

(c) ***Summary of Recent Performance of the Goldkemp Group***

	For the year ended 31st December, 2006	**2007**	**For the six months ended 30th June, 2008**
	Unaudited (HK$'000)	*Unaudited (HK$'000)*	*Unaudited (HK$'000)*
Revenue	1,352,070	1,609,717	1,495,449
Gross profit	244,266	172,791	140,415
Gross margin %	*18.07%*	*10.73%*	*9.39%*
Profit/(Loss) before taxation and extraordinary items	39,045	68,449	(241,901)
Profit/(loss) after taxation and extraordinary items	30,394	37,282	(187,876)
Net margin %	*2.2%*	*2.3%*	*N/A*

Turnover of the Goldkemp Group grew by about 19% from fiscal year 2006 to 2007. However, both gross and net profit margins in the recent two and half years period continued to decline. Having discussed with the Directors, we understand that the narrowing margins were mainly due to the surge of prices for raw materials such as waste paper and energy. This trend can also be observed in the sector as set out in the section headed "Industry Outlook" of the valuation report on page 38 in Appendix I to the Circular.

The above unaudited consolidated loss before and after taxation and extraordinary items of Goldkemp Group for the six months ended 30th June, 2008 was mainly attributable to an one-off impairment for production lines PM5, 6 and 7 of Guangzhou Paper totaling to approximately HK$246 million (before taxation). The unaudited consolidated net asset value of Goldkemp Group (before deduction of the Goldkemp Shareholder Loan of approximately HK$539 million) as at 30th June, 2008 was approximately HK$745 million. There has been no material change in the amount of the Goldkemp Shareholder Loan since 30th June, 2008.

Views

Taking into account that (i) the consideration for the Goldkemp Group receivable upon Completion represents approximately 17 times price to earnings multiple based on Goldkemp's 2007 full year earnings and a price to book ratio of approximately 0.91 times, which is higher than the range of the selected reference companies as shown in Table-A; (ii) the performance of the Goldkemp Group in the recent two and half years; (iii) whilst the Company considers that the newsprint business will provide stable profitability in the long term, however, the anticipation of the management on the risk and lead time to fully utilise the increased production capacity of Guangzhou Paper under the prevailing market and economic conditions; and (iv) the total debt of the Goldkemp Group of approximately HK$4,550 million, the reduction of which upon Completion would improve the gearing ratio of the Group, we concur with the management that the consideration for the Transfer is fair and reasonable albeit being a 8.7% discount to the valuation of Goldkemp's attributable interests in Guangzhou Paper as appraised by the Valuer as at 31st August, 2008.

IV. **Valuation of the Hotel**

(a) ***Valuation methodologies, bases and assumptions***

To assess the fairness and reasonableness of the consideration for the Hotel, we have reviewed the valuation report of the Hotel carried out by the Valuer dated 24th November, 2008 as set out in Appendix II to the Circular.

Among the three traditional valuation methods namely the comparison method, the cost method and the income method, the Valuer appraised the Hotel by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. It is the view of the Valuer that the comparison method is widely accepted as the primary method for valuing property commonly transacted on the market.

Having discussed with the Valuer the valuation methodology and rationale analysed above, which is in compliance with the Listing Rules and relevant standard published by the Hong Kong Institute of Surveyors, we are of the opinion that the bases for determining the valuation of the Hotel by the Valuer is in line with the market practice and is appropriate and reasonable.

(b) ***Consideration***

The consideration for the Techcon Sale Shares is HK$400 million, which represents approximately 4.8% discount to the appraised value of HK$420 million of the Hotel as appraised by the Valuer as at 30^{th} September, 2008. As the Hotel has made losses for each of the two years ended 31^{st} December, 2007, price to earnings multiple is not applicable for the purpose of comparison. We have conducted a limited research on the market peers of Hotel which has hotel business operations in Hong Kong and are listed and traded on the Main Board of the Stock Exchange as at the Latest Practicable Date for reference. The following table sets out the trading multiples of the selected reference companies:

Table-B

Company	Stock code	Properties	Financial year end	Period end of the latest published financial results	Market capitalization as at the Latest Practicable Date *(HK$ million)*	PE	PB
Shangri-La Asia Limited	69	The Shangri-La Hotels; office, commercial and serviced apartment buildings in the PRC, Singapore, Thailand and Malaysia	31/12	30-Jun-08	24,526	8.46	0.71
The Hongkong and Shanghai Hotels, Limited	45	The Peninsula Hotels, the Peak Tower, the Peak Tram, Repulse Bay Arcade, the Repulse Bay (residential), and several commercial buildings in Hong Kong and Vietnam	31/12	30-Jun-08	8,093	2.32	0.35
Harbour Centre Development Limited	51	Marco Polo Hong Kong Hotel, Star House (commercial), and several ongoing property projects in the PRC	31/12	30-Jun-08	2,693	4.22	0.32
Sino Hotels (Holdings) Limited	1221	100% of City Garden Hotel, 50% of Conrad Hotel and 25% of Royal Pacific Hotel & Towers	30/6	30-Jun-08	2,382	22.88	0.84
Regal Hotels International Holdings Limited	78	The Regal Hotels, Regalia Bay in Stanley, and development projects in PRC	31/12	30-Jun-08	1,772	0.60	0.31

Company	Stock code	Properties	Financial year end	Period end of the latest published financial results	Market capitalization as at the Latest Practicable Date *(HK$ million)*	PE	PB
Magnificent Estates Limited	201	Ramada Hong Kong Hotel, other hotels and serviced apartments in the PRC and Hong Kong	31/12	30-Jun-08	465	0.58	0.18
Asia Standard Hotel Group Limited	292	The Empire Hotels	31/3	31-Mar-08	327	3.39	0.16
Far East Hotels and Entertainment Limited	37	Warwick Hotel in Cheung Chau, Beijing Warwick International Apartments and several residential flats in Hong Kong	31/3	31-Mar-08	47	12.40	0.12
High						**22.88**	**0.84**
Average						**6.86**	**0.37**
Median						**3.81**	**0.32**
Low						**0.58**	**0.12**
Techcon		**The Hotel**	**31 Dec**	**30-Jun-08**	**N/A**	**N/A**	**0.95**

Source: Published annual reports and interim reports of selected reference companies on the Stock Exchange.

Notes:

a. Market capitalisation is based on the closing price of the respective selected reference companies as quoted on the Stock Exchange as at the Latest Practicable Date.

b. Historical PE and PB ratios of selected reference companies are calculated based on net profit after taxation as extracted from the latest available full year financial results and net asset value extracted from the latest available full year or half year financial statements of respective selected reference companies and their respective trading prices on the Stock Exchange as at the Latest Practicable Date.

c. PB ratio of Techcon is calculated based on the consideration payable by the Company and the appraised value of the Hotel as at 30th September, 2008.

d. Range, average and median for selected reference companies were calculated excluding PE and PB of Techcon.

The consideration for the Techcon Sale Shares represents a price to book ratio of approximately 0.95 times, which is higher than the range of the selected reference companies as shown in Table-B above.

However, we would like to highlight that while the reference company analysis as set out above can reflect current market sentiment towards the sector and provides guidance on valuation, the analysis does not take into account differences of operation model, market position, star rating, quality and scope of services rendered, all of which varies the overall valuation of individual companies in their respective dynamics. Independent Shareholders should appreciate that these comparable figures are for reference and guidance only. Independent Shareholders are also reminded that the market capitalisation as well as trading multiples of reference companies used as comparables herein may be affected and therefore undervalued due to large trading price volatility on the Stock Exchange as aroused from the global financial crisis and impacted by the prevailing market conditions.

(c) ***Summary of recent performance of Techcon***

(HK$)	**Year ended 31st December, 2006**	**2007**	**Six months ended 30th June, 2008**	**Nine months ended 30th September, 2008**
	Audited	*Audited*	*Unaudited*	*Unaudited*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Revenue	19,881	19,659	10,089	15,246
Gross profit	4,057	3,339	2,324	3,157
Gross margin %	*20.41%*	*16.98%*	*23.03%*	*20.70%*
(Loss)/Profit before taxation and extraordinary items	(96,888)	(30,953)	4,239	5,981
(Loss)/Profit after taxation and extraordinary items	(96,888)	(30,953)	4,239	5,981
Net margin %	*N/A*	*N/A*	*42.01%*	*39.22%*

The Hotel recorded a steady amount of turnover for the fiscal years 2006 and 2007. Operating gross margins were 20.41% and 16.98% respectively.

The Hotel had incurred net losses in the reporting periods of 2006 and 2007. The losses were mainly attributed to the interest expense paid for the shareholder's loan due to YXE Group amounting to HK$90 million and HK$30 million and management fee paid to Yue Xiu International Development Limited, a wholly owned subsidiary of YXE Group, in respect of the Hotel Management Agreement of approximately HK$6 million and HK$9 million for year 2006 and 2007 respectively. As a result of the Techcon Shareholder Loan Capitalisation and the termination of the Hotel Management Agreement before Completion, the outstanding interest on the loan and the hotel management fee will no longer be incurred. Both interest expenses and management fee for year 2008 have been waived by the YXE Group.

As set out in the unaudited management account of Techcon for the 6 months and 9 months period ended 30^{th} June and 30^{th} September, 2008, Techcon has recorded a net profit of HK$4.24 million and HK$5.98 million respectively.

The unaudited net deficit of Techcon (after deduction of the Techcon Shareholder Loan of approximately HK$1,118 million which will be capitalized before Completion) as at 30^{th} September, 2008 was approximately HK$844 million. The unaudited net assets value of Techcon (before deduction of the Techcon Shareholder Loan of approximately HK$1,118 million) as at 30^{th} September, 2008 was approximately HK$274 million. The book value of the Hotel as at 30^{th} September, 2008 was approximately HK$269 million. We noted a substantial difference between the appraised valuation by the Valuer of HK$400 million and the book value of the Hotel of HK$269 million. This was mainly attributable to the accounting policy adopted by Techcon, which reflected the Hotel value at historical cost less depreciation and impairment loss rather than the market value of the Hotel.

Views

Having taken into account that the consideration for the Techcon Sale Shares represents (i) a price to book ratio of approximately 0.95 times, which is higher than the range of the selected reference companies as shown in Table B above; (ii) a discount of approximately 4.8% to the Hotel's market value as at 30^{th} September, 2008; (iii) the performance of Techcon for the 6 months period ended 30^{th} June, 2008 and 9 months period ended 30^{th} September, 2008; (iv) the losses of Techcon incurred in the past two years were mainly due to interest expenses on the Techcon Shareholder Loan and the management fee paid under the Hotel Management Agreement; (v) Techcon will be a debt free company upon completion of the Techcon Shareholder Loan Capitalisation prior to the completion of the Transfer; (vi) reduced management fee upon the termination of the Hotel Management Agreement prior to completion of the Transfer; (vii) additional cash payment to be received from YXE upon Completion; and (viii) the Hotel would increase land bank of the Group, which is in line with the Group's development direction, we consider the consideration for the Techcon Sale Shares is fair and reasonable.

V. **Financial effects of the Transactions to the Group**

(a) ***Net gain on the Transfer***

As set out in the "Letter from the Board", the Completion will also result in an estimated net gain of approximately HK$70 million to the Group. The estimated net gain on the Transfer is calculated based on the difference between the fair value of the consideration as at 30^{th} September, 2008 and the unaudited consolidated net asset value of Goldkemp Group as at 30^{th} June, 2008 after taking into account the release of the exchange reserve. The final and actual net gain/loss on the Transfer may change depending on the fair value of the consideration and the consolidated net asset value of the Goldkemp Group at the Completion Date. All the transaction costs in relation to the Transfer (the estimated total costs being approximately HK$4 million, exclusive of a total fee of approximately HK$2.5 million which may be incurred by the Company for getting the consents and approvals required under the Transfer Agreement) shall be borne by the Company and YXE in equal shares, no matter whether the Transfer is completed or not.

(b) ***Gearing***

The Group's gearing ratio as published in the unaudited interim report of the Group as at 30th June, 2008, calculated by dividing net borrowings (total borrowings less cash and bank balances) over total capitalisation (sum of net borrowings and shareholder's equity), was 40%. With the reduction of loan of approximately HK$4,550 million of the Goldkemp Group and the addition of HK$250 million cash and nil debt from Techcon upon Completion, the gearing ratio of the Group as at 30th June, 2008 calculated by applying the same method would be reduced to approximately 29%. This would enhance the credit worthiness of the Company and release the burden of interest expenses of the Group.

(c) ***Working capital***

The Group's working capital as at 30th June, 2008, calculated by current assets less current liabilities, was approximately HK$7,700 million. Working capital of Techcon as at 30th September, 2008 is approximately HK$4.90 million and that of Goldkemp as at 30th June, 2008 is negative HK$68 million. Upon Completion, Goldkemp will cease to be a subsidiary of the Company and cease to be consolidated to the financial statement of the Group; and Techcon will become a subsidiary hence to be consolidated to the financial statement of the Group. As such, with the deduction of Goldkemp's working capital, addition of Techcon's working capital together with the cash consideration of HK$250 million to be received from YXE, working capital of the Group would be improved. The increase in working capital would have positive effect to the Group's liquidity.

RECOMMENDATION

Having taken into account the information and representations provided to us by the Directors and considered the above principal factors and reasons analysed above, we are of the opinion that the Transfer Agreement is entered into on normal commercial terms, and the terms and conditions of the Transfer Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and it is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the Transfer, the Transfer Agreement and the transactions contemplated thereunder at the EGM.

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

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

24 November 2008

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

Dear Sirs,

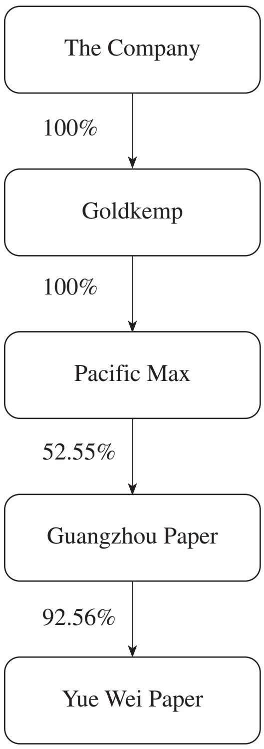
In accordance with the instructions from Guangzhou Investment Company Limited (the "Company"), we have completed a valuation of Goldkemp Investment Limited ("Goldkemp") and have assessed the market value of Goldkemp's major assets being the 52.55% controlling, non-marketable attributable equity interests in Guangzhou Paper Co., Ltd (the "Guangzhou Paper"), a sino-foreign joint venture company established in the PRC, held by Goldkemp. Unless otherwise stated, terms used in this valuation report have the same meanings as those defined in the Company's circular dated 24 November 2008.

We confirm that we have made relevant enquiries and obtained such information as we consider necessary for the purpose of providing our opinion of the market value of Guangzhou Paper as at 31 August 2008 (the "Valuation Date"). We understand that this valuation will be used in connection with a proposed shares and shareholder loan exchange transaction. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purposes.

INTRODUCTION

The Company, which is indirectly holding approximately 52.55% attributable equity interests in Guangzhou Paper through Goldkemp, has conditionally agreed to procure a transfer and assignment to YXE and/or its nominee(s) of all its rights, title, interest and benefit of and in the Goldkemp Share and the Goldkemp Shareholder Loan in exchange for all YXE's rights, title, interest and benefit of and in the Techcon Sale Shares and the payment by YXE of HK$250 million in cash.

Goldkemp is beneficially interested in approximately 52.55% equity interest in Guangzhou Paper through its 100% equity interest in Pacific Max, while Guangzhou Paper itself holds a 92.56% equity interests in Yue Wei Paper. The following is the simplified structure of the Company and Goldkemp Group:



Goldkemp and Pacific Max are holding companies and have no material assets and liabilities other than their interests in Guangzhou Paper. Guangzhou Paper and Yue Wei Paper are both engaged in the manufacturing and selling of newsprint in the PRC.

The following table states the unaudited consolidated financial information of Goldkemp Group, which mainly represents the financial performance of Guangzhou Paper as it is the sole operating unit of Goldkemp Group, for the two years ended 31 December 2007, and the six months ended 30 June 2008, prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2006 Unaudited *(HK$'000)*	For the year ended 31 December 2007 Unaudited *(HK$'000)*	For the six months ended 30 June 2008 Unaudited *(HK$'000)*
Profit/(Loss) before taxation and extraordinary items	39,045	68,449	(241,901)
Profit/(Loss) after taxation and extraordinary items	30,394	37,282	(187,876)

BASIS OF VALUATION

We have valued Guangzhou Paper on the basis of market value.

Market Value

According to The Hong Kong Business Valuation Forum — Business Valuation Standards, market value is defined as the estimated amount for which an asset (a property) should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

For the purpose of this valuation, the term market value is similar and/or interchangeable with the valuation standards or definitions below and will be used throughout this valuation report.

Fair Value

According to Hong Kong Financial Reporting Standards, fair value is the amount for which an asset could be exchanged, or a fair value liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Market Value

The International Valuation Glossary defined fair market value as the amount at which property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum which are generally accepted valuation standards followed by relevant professional practitioners in Hong Kong. These standards contain the detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

PREMISE OF VALUE

Although valuation is a range concept, current valuation theory suggests that there are three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

— **Controlling interest:** the value of the enterprise as a whole with the prerogatives of control (e.g. the ability to enter into contracts on behalf of the business; make operating decisions; pay dividend; liquidate the business and distribute any remaining assets; and similar activities)

— **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity. (e.g. freely tradable shares of a listed company)

— **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity. (e.g. minority interest in a private business).

Marketability relates to the liquidity of an investment relative to a comparable and actively traded alternative. In essence, impairment of liquidity increases an investor's expected rate of return. As a result, the value of a private company is discounted relative to the price of its marketable counterpart, all other things being equal.

This valuation is prepared on a controlling and non-marketable basis.

ECONOMIC OUTLOOK AND INDUSTRY ANALYSIS

In conjunction with the preparation of this valuation opinion, we have reviewed and analyzed the current economic conditions on a global scale, as well as the PRC and how the newsprint industry may be impacted.

Global Economy

The global economy is now experiencing a financial crisis. A severe credit crunch spread rapidly from the United States to worldwide and led to the bankruptcies of many small and regional financial institutions, as well as established investment banks with over hundred years of history. The effect of the crisis is also demonstrated by the surging unemployment rate, low real GDP growth and plunged energy prices. Uunemployment rate reached a high rate of 6.5% in the US with successive layoffs by large corporations. Real GDP growth in the US is estimated at around 1.8%. Crude oil slumped to below USD 70 a barrel from its peak of over USD 140 a barrel in July 2008. Gasoline prices have continuously fell to around USD 2.24 a gallon which is a drop of over 40% in the past two months. To summarise, the current and forecasted economic performance is illustrated as follows[1]:

Global Economic Performance

	2000-2006	2007	2008f	2009f	2000-2006	2007	2008f	2009f
	US				**Canada**			
Real GDP Growth	2.6	2.2	1.8	0.5	3.0	2.7	1.0	1.9
Consumer Prices	2.8	2.9	4.5	2.4	2.3	2.1	1.9	2.1
Unemployment Rate	4.8	4.6	6.5	6.3	7.1	6.0	6.1	6.4
	Asia				**Euro Zone**			
Real GDP Growth	4.4	6.2	5.1	4.9	2.0	2.6	1.8	1.4
Consumer Prices	1.1	3.3	3.8	2.5	2.2	2.1	3.5	2.3
	Latin America				**Mexico**			
Real GDP Growth	3.1	6.4	4.8	4.8	2.9	3.3	2.8	3.4
Consumer Prices	9.4	7.0	9.4	8.4	5.1	4.0	4.6	4.4

Weakening domestic demand in major developed nations will temper the pace of economic growth in the PRC, India, Russia and other emerging Asia powerhouses. Unlike their Western counterpart, these emerging nations may still continue to experience economic growth which is mainly due to rapid increase in household dispensable income and infrastructural investment.

[1] "Global outlook"- Global Economic Research July 2008, Warren Justin, Scotiabank Group

PRC's Economic Outlook

The Chinese economy attained double digit growth rates of 10.7% and 11.9% in 2006 and 2007, respectively. According to the data from National Bureau of Statistics of China, the GDP growth rate of 11.9% in 2007 was contributed by 4.4% points of domestic consumption, 4.3% points of investment and 2.7% points of net exports. However, the real GDP growth of the PRC is forecasted to slow slightly but will remain impressive, easing gradually to 9.8% in 2008, the following table illustrates the PRC economic performance forecast:

	2007 Actual	2008 Forecast	2009 Forecast	2010 Forecast
Real GDP growth (%)	11.9	9.8	8.5	8.7
Consumer price inflation (%)	4.8	6.4	4.1	4.0
Commercial bank prime rate (%)	7.5	7.2	7.5	7.7
Exchange rate RMB:US$ (average)	7.6	6.9	6.7	6.5

Figure extracted from the Economist[2]

Due to the weakened global demand for exports and imposition of government measures to curb inflation and prevent overheating of the economy, the economic expansion of the PRC is expected to slow down.

According to the National Bureau of Statistics, the PRC's GDP grew 10.4% in the first half of 2008. It is expected that in 2008 the government will continue to boost the contribution of private consumption to overall growth. Government spending is expected to increase as the government focuses on development needs in rural areas and in central and western provinces in an attempt to prevent widening inequalities of economic development within the country. Service industries have been boosted during the year by the Olympic Games in Beijing and will be further enhanced in the future by the 2010 Shanghai World Expo.

Inflation, which was one of the Chinese government's main concerns before the financial crisis, is beginning to cool off as it has dropped from 8.7% in February to 4% currently. More importantly, it is also forecasted that inflation rate in China will continue its fall in 2009[3]. To battle the global economic slowdown, the Chinese government has decided to slash interest rates in an effort to maintain their robust economic growth. For the first time in five years, the Chinese central bank has matched its Western counterparts and cut interest rates three times for the past two months, to ensure growth does not slowdown any further and to avoid the Renminbi to appreciate any further against mainly the Greenback and Euro.

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2 http://www.economist.com/countries/China/profile.cfm?folder=Profile%2DEconomic%20DataH Retrieved on 2008-10-20

3 http://www.moneymorning.com/2008/10/30/fed-rate-cut "Federal Reserve, Bank of China Cut Interest Rates as Financial Crisis Deepens" Retrieved on 2008-11-10

Industry Outlook

Worldwide Newsprint Industry

According to the information provided by Newsprint Producer Association, there are over 210 mills that produce newsprint in the world, of which 45 are in North America, 39 in Western Europe and 70 in Asia. Canada is the largest producer of newsprint as well as the largest exporter with around 85% of its production[4] being exported. Although approximately half of all newsprint produced worldwide gets exported, newsprint is considered as a locally traded commodity.

The major driver of newsprint consumption is newspaper advertising, especially in the US where it generates 85-90% of newspapers total revenue. The proportions are 40% in Japan and 65% in Germany and the U.K[5], respectively.

Technology development, especially the Internet and its ever-increasing impact on our everyday lives, has substantially affected the global newsprint industry. Newspapers and magazines have been facing financial difficulties as the general reading public and advertising revenues have been gradually shifted to the Internet, such as Yahoo and Google.

The markets for newsprint in the US, Western Europe and Japan are mature and slow growing. They have many old, small newsprint machines which are being converted to value-added grades. Asia (other than Japan), on the other hand, has experienced significant growth in consumption in the past decade and is expected to continue, due to their rising literacy level and general improvements in economic conditions.

Demand and Supply of Newsprint in the PRC

Following the first anti-dumping period from 1998 to 2003, the PRC Ministry of Commerce announced the continuation of the anti-dumping duties on imported newsprint from Canada, South Korea and the US for another five years. Set out below is the Chinese anti-dumping duties information on key exporters.

Importing Country	**Duty**
Canada	57% - 78%
US	78%
South Korea	9% - 55%

Source: PRC Customs Website[6]:

[4] http://www.pppc.org/en/2_0/2_2.html Newsprint Producers Association's website

[5] http://www.pppc.org/en/2_0/2_2.html Newsprint Producers Association's website

[6] http://www.customs.gov.cn

The anti-dumping duties policy was essential to the domestic newsprint manufacturers' development, as the domestic manufacturers were able to sell at much lower price comparing to the foreign competitors and thus were able to substantially increase their market shares. As a result, the protection from foreign competition has fuelled the rally of domestic newsprint enterprises with expansion and upgrade of equipment and technologies.

The newsprint industry in the PRC benefited from the appreciation of the Renminbi in the past two years, which in turn increased the purchasing power of raw materials. Moreover, newsprint prices have risen steadily in 2007 and 2008, from RMB4,800 per ton and reached the highest price of RMB6,300 per ton in August 2008 with current price slipped slightly to RMB5,800 per ton. However, the profitability of newsprint industry was lessened by the increasing production cost. The price of waste paper, which is the principal cost of newsprint production, increased from RMB630 per ton in 2007 to RMB1,080 per ton in September 2008. In the meanwhile, the increased prices of electricity, water and labour also raise certain concern to the newsprint production cost. Although the price of waste paper fell to RMB880 per ton by November 2008[7], it is uncertain if newsprint price would continue to hold its current level in order to maintain the same level of profitability.

Furthermore, the domestic and global demand plays a pivotal role in the newsprint industry. PRC experienced a steady rise in newsprint demand of 17% annually from 2000 to 2005[8]. Due to over-expansion of newsprint capacity, total production in 2006 was 4 million tons, an increase of 17.7% from the year before. On the other hand, total domestic consumption was 3.44 million tons in 2006. This has resulted in an excess supply of 560,000 tons. Despite the absence of major equity investments in the industry, the existing manufacturers still managed to increase capacity by another 32.5% to 5.3 million tons in 2007, while consumption managed a 13.4% growth to 3.9 million tons[9].

While the newsprint consumption growth in the PRC is estimated at a double digit growth rate, the worldwide demand for newsprint will grow to 45 million tons by 2010 with an annual growth rate of 1.9% in the coming years, according to a research conducted by Gobi International[10].

Despite significant growth in recent years, the newsprint industry is conscious of the uncertainties that lie ahead for the industry. First, the high profit margin enjoyed by the newsprint industry in the first half of 2008 has started to diminish in the third quarter of 2008 as a result of the market turmoil brought about by the subprime crisis. Second, the volatility in the cost of energy and waste paper has increased the risk of the rationality of cost control measures being materially eroded and of such increases in costs of production not being able to be transferred to the customers. Third, keen competition due to increased domestic supply (and possibly foreign supply if anti-dumping

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[7] http://www.zz91.com/cn/baojia_more1402_1_p1.html 中國再生資源交易網 歷史報價

[8] http://www.paper.com.cn/news 中國紙網新聞

[9] http://www.ahstp.net/news_info.asp?nid=69

[10] http://www.badassets.com/report/newsprint2.asp

duties lifted) may put significant pressure on the business and sale strategies of domestic suppliers in the short term. Last but not the least, the possibility of electronic media becoming a substitution to traditional paper media in the near future must not be overlooked, as it had already changed the industry playground in both Europe and North America.

METHODOLOGIES CONSIDERED AND REJECTED

In formulating our opinion of market value of Guangzhou Paper, we have considered and rejected the following valuation methodologies:

The Market Approach

The market approach develops a value using the principle of substitution. This simply means that if one thing is similar to another and could be used (our case invested in) for the other, then they must be equal. Furthermore, the price of two alike and similar items should be closed to each other. For the market approach to be used, there must be a sufficient number of comparable companies to make comparisons, or, alternatively, the industry composition must be such that meaningful comparisons can be made.

We have considered but decided against the market approach due to the following reason:

— Guangzhou Paper has reported a net loss for the first half of 2008 and operating loss in 2007. We are unable to satisfy ourselves to compare Guangzhou Paper with the public comparable companies given the business size of Guangzhou Paper and the recent operating and financial performances.

The Income Approach

The income approach is the most generally accepted way of determining a value indication of a business/project, business ownership interest, security, or intangible asset using one or more methods that convert anticipated economic benefits into a present single amount.

We have considered but decided against the income approach due to the following reasons:

— Guangzhou Paper is unable to provide a reliable financial forecast given the uncertain and volatile newsprint market and economic condition.

— Guangzhou Paper has recently increased its capacity and requires time to build up its utilisation to fulfil stable profitability, which, under the recent market and economic development, is subject to certain degree of risk.

METHODOLOGY APPLIED

The Asset Approach

The asset approach is based on the so-called economic principle of substitution; it essentially measures what is the *net asset value* today and how much it would cost to replace those assets. Either one of the *replacement value*, *liquidation value* and *adjusted book value* method is used to estimate the current market value of the business or its assets.

We accepted the adjusted book value method due to the following reason:

— Guangzhou Paper is very capital intensive and has significant assets and liabilities recorded in the balance sheet. We consider the asset approach is the most appropriate approach to reflect the value of Guangzhou Paper.

We have adjusted the book values of Guangzhou Paper's assets and liabilities to their actual or estimated market values to estimate the net asset value of Guangzhou Paper. Since the assets and liabilities have already adjusted to their actual or estimated market values, marketability discount in this case is not applicable.

LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the company valued.

The opinions expressed in this report have been based on the information supplied to us by the Company and its staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the company management and reader of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the valuation date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

SYNTHESIS AND RECONCILIATION

Because valuations cannot be made on the basis of a prescribed formula, there is no means whereby the various applicable factors in a particular case can be assigned mathematical weights in deriving the fair value. For this reason, no useful purpose is served by taking an average of several factors (for example, book value, capitalized earnings and capitalized dividends) and basing the valuation on the result. Such a process excludes active consideration of other pertinent factors, and the end result cannot be supported by a realistic application of the significant facts in the case except by mere chance.

The following comparative data summarizes and the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to Guangzhou Paper's facts and circumstances, and strengths/weaknesses are discussed.

Asset Approach

Adjusted Book Value Method HKD712,000,000

Application . . . . .Yes

Market Approach

Guideline Company Method . . . . .Not Applicable

Application . . . . .No

Income Approach

Discounted Cash Flow Method . . . . .Not Applicable

Application . . . . .No

Since the asset approach was the only valid method, we took the asset approach to conclude our valuation of HKD712,000,000.

CONCLUSION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, in our opinion, the market value of the Goldkemp's 52.55% controlling, non-marketable attributable equity interests in Guangzhou Paper as of the Valuation Date is:

HONG KONG DOLLAR SEVEN HUNDRED AND TWELVE MILLION ONLY (HKD712,000,000).

The opinion of value was based on generally accepted valuation procedures.

We hereby certify that we have neither present nor prospective interests in Guangzhou Paper nor the Company and have neither personal interest nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

K. K. Ip
Registered Business Valuer of HKBVF
MRICS, MHKIS and RPS (GP)
Managing Director

Samuel Y.C. Chan
MBA, CVA, CM&AA
Director
Head of Business Valuation

Note:

Mr. K. K. Ip, a Chartered Valuation Surveyor of The Royal Institution of Chartered Surveyors (RICS), Member of Surveyors Registration Board of Hong Kong, Member (General Practice Division) of The Hong Kong Institute of Surveyors (HKIS) and Registered Business Valuer of The Hong Kong Business Valuation Forum (HKBVF), has substantial experience in property, plant and machinery, business enterprise and intellectual property valuations for various purposes in Greater China Region since 1992.

Mr. Samuel Y.C. Chan, MBA, Certified Valuation Analyst of The International Association of Consultants, Valuators and Analysts (IACVA) and Certified Merger & Acquisition Advisor, has been conducting business enterprise and intellectual property valuations for various purposes since 2004. He also spends a significant portion of his time in valuation of financial instruments including convertible bonds, preference shares, swaps, corporate guarantees and employee share options for private and public companies in China, Hong Kong, Taiwan, Japan, Singapore and the United States.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

24 November 2008

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

Dear Sirs,

RE: THE SOUTH CHINA HOTEL, NOS. 67-75 JAVA ROAD, HONG KONG

In accordance with the instructions from Guangzhou Investment Company Limited (referred to as the "Company") to value the captioned property (referred to as the "Property"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the market value of the Property as at 30 September 2008 (referred to as the "date of valuation").

This letter which forms parts of our valuation report explains the basis and methodology of valuation, summarizing the legal opinion prepared by the legal advisor of the Company, clarifying assumption and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the Property represents the 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".

As the Property is currently being operated as a hotel, we have valued it as an operational entity on going concern basis assuming that the existing business operations in it will be continued.

VALUATION METHODOLOGY

Among the three traditional valuation methods namely the comparison method, the cost method and the income method, we have valued the Property by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. The comparison method is widely accepted as the primary method for valuing property commonly transacted on the market.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the Property.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

TITLESHIP

We have caused searches to be made at the appropriate Land Registries for the Property. However, we have not inspected the original document to verify ownership nor to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents and Government Lease have been used for reference only. No responsibility is assumed for any legal matter regarding the Property.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as floor areas, particulars of occupancy, lettings, and all other relevant matters.

We have inspected the exterior of the Property valued but no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from 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 Company. We have also sought confirmation from the Company 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.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

Our valuation certificate is attached herewith.

This report is issued subject to our General Service Conditions.

Yours faithfully,
for and on behalf of
GREATER CHINA APPRAISAL LIMITED

Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Assistant Vice President

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property to be held and operated by the Group

Property	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 30 September 2008**
The South China Hotel Nos. 67-75 Java Road Hong Kong Inland Lot Nos. 6845, 6846, 6847, 6848, 6849.	The Property comprises a rectangular shape corner site with an area of 532.609 sq.m. (5,733 sq.ft. or thereabouts) on which a 20-storey plus a cockloft and one basement floor hotel is erected. It was completed in about 1991. The total gross floor area of the Property is 7,022.682 sq.m. (75,592 sq.ft. or thereabouts) 3rd to 19th Floor of the Property consists of 198 guest rooms, 1 deluxe suite and 3 handicapped rooms. Restaurants are available on the 1st Floor and 2nd Floor. Carparking spaces and loading/unloading bay are also available on the Ground Floor. Administration and Management Office Spaces are provided in the Basement and on the Cockloft. The Property is held under various Government Leases for a term of 75 years commencing on 5th September, 1921 and renewable for a further term of 75 years. The total annual Government Rent payable for the subject lots is HK$230,402.	As at the valuation date, the Property was held and operated by the owner for hotel business. Besides, the restaurant premises on Basement and First Floor are subject to a tenancy for a term of 3 years expiring 31 July 2010 at a total monthly rent of HK$120,000 inclusive of rates, management fees and air conditioning charges. The tenant has an option to renew the tenancy for a further term of 2 years upon expiration of the lease term. Another restaurant premises on Second Floor are subject to a renewed tenancy for a term of 2 years expiring 30 April 2010 at a total monthly rent of HK$25,000 exclusive of rates and other outgoings.	HK$420,000,000.-

Notes:

1. The registered owner of the Property is Techcon Investment Limited vide Memorial No. UB7086945 dated 30 April 1997.

2. The Property is subject to a Mortgage in favour the Hongkong and Shanghai Banking Corporation Limited vide memorial no. 08060402770302 dated 7 May 2008.

3. The property falls within an area zoned "Residential (Group A)" under North Point Outline Zoning Plan No. S/H8/21 gazetted on 27 July 2007.

   Salient development conditions of the lot pursuant to the North Point Outline Zoning Plan No. S/H8/21 are summarized as follows:

   "On land designated " Residential (Group A)" and sub-areas of the "Residential (Group A)" zone, no new development, or addition, alteration and/or modification to or redevelopment of an existing building shall result in a total development and/or redevelopment in excess of the maximum building heights, in terms of metres above Principal Datum, as stipulated on the Plan, or height of the existing building, whichever is greater."

   As revealed from the aforesaid North Point Outline Zoning Plan No. S/H8/21, the maximum building height as stipulated on the Plan is 110 metres above the Hong Kong Principal Datum.

4. As revealed from the Town Planning Application Case no. A/H8/238 (Amendments to an approved scheme for Hotel) for Inland Lot Nos. 6845, 6846, 6847, 6848 and 6849, the Metro Planning Committee approved the aforesaid planning permission with condition(s) on 9 February 1996.

5. Occupation Permit No. H121/91 of the subject development was issued by the Building Authority dated 14 November 1991.

6. The Property is subject to the Licence registered via memorial no. UB5466600 dated 10 July 1989 in favour of Utility Shing Limited and its successors or assigns. Salient points of the Licence as stipulated, inter alia, that

   "Licence is hereby granted by the Assistant Registrar General...the registered in the Land Office as...assigns to use, exercise or follow in or upon the Lot or any part thereof the trade or business of Sugar-baker, Oilman, Butcher, Victualler or Tavern-keeper...notwithstanding the covenant in the Lease of the Lot prohibiting the use, exercise or following of the trade or business...and subject also to the Licensee complying with all provisions or conditions contained in such licences and permits and with any Ordinances, Rules or Regulations affecting the trade or business or the Lot."

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 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	Exercise price per share *(HK$)*	Number of outstanding share options
Mr. Tang Shouchun	The Company	Beneficial owner	23/06/2004 (a)	0.63	1,560,000
Mr. Lau Hon Chuen Ambrose	The Company	Beneficial owner	28/05/2008 (b)	1.556	2,800,000

Notes:

(a) 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.

(b) The share options are exercisable from 28 May 2008 to 27 May 2018, 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 2007, being the date to which the latest published consolidated 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 of the Company, no person (not being a Director or chief executive 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% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of the Company.

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**
Yue Xiu Enterprises (Holdings) Limited *(Note)*	The Company	Interest of controlled corporations	Long position	46.83	3,337,485,248 shares

Note:

Yue Xiu Enterprises (Holdings) Limited is deemed by the SFO to be interested in 3,337,485,248 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. ("**Excellence**") *(Note i)*	Interest of controlled corporations	Long position	3,325,548,981 shares
Bosworth International Limited ("**Bosworth**")	Beneficial owner	Long position	2,430,846,821 shares
Sun Peak Enterprises Ltd. ("**Sun Peak**") *(Note ii)*	Interest of controlled corporation	Long position	565,683,000 shares
Novena Pacific Limited ("**Novena**")	Beneficial owner	Long position	565,683,000 shares
Shine Wah Worldwide Limited ("**Shine Wah**") *(Note iii)*	Interest of controlled corporation	Long position	158,049,000 shares
Morrison Pacific Limited ("**Morrison**")	Beneficial owner	Long position	158,049,000 shares
Perfect Goal Development Co., Ltd. ("**Perfect Goal**") *(Note iv)*	Interest of controlled corporation	Long position	135,737,000 shares
Greenwood Pacific Limited ("**Greenwood**")	Beneficial owner	Long position	135,737,000 shares
Seaport Development Limited ("**Seaport**") *(Note v)*	Interest of controlled corporation	Long position	35,233,160 shares
Goldstock International Limited ("**Goldstock**")	Beneficial owner	Long position	35,233,160 shares
Yue Xiu Finance Company Limited	Beneficial owner	Long position	8,386,267 shares
Dragon Year Industries Limited	Beneficial owner	Long position	650,000 shares
Leader Power Limited	Beneficial owner	Long position	2,900,000 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 2007 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 Shareholders having the right to vote at the meeting; or

(iii) a Shareholder or Shareholders representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(iv) a Shareholder or Shareholders 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 Transfer, the Transfer Agreement and the transactions contemplated thereunder 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. EXPERTS AND CONSENT

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

Name	Qualifications
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 Independent Shareholders
Valuer	independent valuer

As at the Latest Practicable Date, Yu Ming and the Valuer had given and had not withdrawn their written consent to the issue of this circular with the inclusions of their respective statement and references to their names in the form and context in which they are included.

As at the Latest Practicable Date, Yu Ming and the Valuer were 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, FCCA, HKICPA.

(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 Tuesday, 9 December 2008:

(a) the Transfer Agreement;

(b) the valuation report from the Valuer in respect of Goldkemp's attributable interests in Guangzhou Paper, the text of which is set out in Appendix I to this circular;

(c) the valuation report of the Valuer in respect of the Hotel, the text of which is set out in Appendix II to this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;

(e) the letter from Yu Ming to the Independent Board Committee the Independent Shareholders as set out on pages 16 to 30 of this circular;

(f) the written consent of Yu Ming referred to in paragraph 8 of this appendix;

(g) the written consent of the Valuer referred to in paragraph 8 of this appendix;

(h) the memorandum and articles of association of the Company;

(i) the annual reports of the Company for the two financial years ended 31 December 2007;

(j) all circulars issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited accounts (i.e. 31 December 2007); and

(k) this circular.

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 held at Plaza I-III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 10 December 2008, at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **"THAT:**

   (a) the Transfer Agreement (as more particularly described in the circular to the shareholders of the Company dated 24 November 2008 (the "**Circular**")), a copy of which has been produced to this meeting and marked "A" and initialed by the chairman of the meeting for the purpose of identification, and the execution, delivery and performance by the Company of the Transfer Agreement be and are hereby approved, confirmed and ratified;

   (b) the Transfer (as more particularly described in the Circular) and all transactions contemplated under or incidental to the Transfer Agreement and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to the Transfer Agreement be and are hereby approved, confirmed and ratified; and

   (c) any one director of the Company be and is hereby authorized for and on behalf of the Company to do all such acts and things, to sign, execute and deliver all such other documents, deeds, instruments and agreements and to take such steps as he may consider necessary, desirable or expedient to give effect to or in connection with the Transfer, the Transfer Agreement or any of the transactions contemplated under the Transfer Agreement and all other matters incidental thereto."

For and on behalf of the Board
Guangzhou Investment Company Limited
LU Zhifeng
Chairman

Hong Kong, 24 November 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 from Monday, 8 December 2008 to Wednesday, 10 December 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 4:30 p.m. on Friday, 5 December 2008.

2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company. Where there are joint holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, provided that if more than one of such joint holders be present at the EGM personally or by proxy, the person whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. 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 thereof), 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 later than 48 hours before the time appointed for holding of the meeting or adjourned meeting thereof.

4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM (or any adjournment thereof) should he/she so wishes and in such event, the form of proxy will be deemed to have been revoked.

5. The resolution set out in the notice convening the EGM will be voted by way of poll.

6. As at the date thereof, the executive directors of the Company are LU Zhifeng, ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, WANG Hongtao, ZHOU Jin, LI Xinmin and HE Zili; and the independent non-executive directors of the Company are YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose respectively.

7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.