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**GUANGDONG INVESTMENT LIMITED**  
**(粵海投資有限公司)**

*(Incorporated in Hong Kong with limited liability)*  
*(Stock Code: 270)*

**CONNECTED TRANSACTION**

**CONTRIBUTIONS INTO JOINT VENTURE**

Reference is made to the announcement of the Company dated 27 March 2007. The Board is pleased to announce that on 22 July 2009, Zhongdian, a non-wholly owned subsidiary of the Company, entered into the Agreements with Xing Zhong regarding the Project in respect of the construction of two 300,000 kilowatts heat and electricity supply plants. The Project will utilise the Required Assets of Zhongshan Power, which is an existing Sino-foreign cooperative joint venture between Zhongdian and Xing Zhong in the existing proportion of 63% and 37% respectively. It is expected that the Project will require a total investment of approximately RMB3 billion (equivalent to approximately HK\$3,403 million).

Pursuant to the Agreements, Zhongdian and Xing Zhong have agreed to make additional contributions into Zhongshan Power in order to provide part of the funding for the Project. Zhongdian will make contribution in cash of approximately RMB750 million (equivalent to approximately HK\$851 million). Xing Zhong will make contributions in cash and in kind in a total value of approximately RMB250 million (equivalent to approximately HK\$284 million). Due to the difference in the value of the contributions from Zhongdian and Xing Zhong, their interest in Zhongshan Power will be adjusted to 75% and 25% respectively after the making of the contributions.

Xing Zhong, by virtue of its interest in Zhongshan Power, is a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the Agreements by Zhongdian (which provide for details of the contributions by Zhongdian and Xing Zhong into Zhongshan Power) constitutes a connected transaction of the Company under the Listing Rules. As the contributions to be

made by Zhongdian and Xing Zhong into Zhongshan Power will be on a non-pro rata basis, the entering into of the Agreements by Zhongdian will require the approval of the independent shareholders of the Company pursuant to Rule 14A.18 of the Listing Rules, and as such the Company is required to comply with the reporting, announcement and independent shareholders' approval requirements provided under Rule 14A.48 of the Listing Rules. The Company has applied to the Stock Exchange for, and has been granted with, a waiver from the requirement to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules. Accordingly, the independent shareholders' approval requirement will be satisfied by means of the written approval of GDH Limited in lieu of the holding of a general meeting.

A circular containing further details of the Agreements and the contributions contemplated under the Agreements, a letter from the independent board committee of the Company and a letter from the independent financial advisor of the Company will be despatched to the shareholders of the Company as soon as practicable in accordance with Chapter 14A of the Listing Rules.

#### **A. THE PROJECT**

Reference is made to the announcement of the Company dated 27 March 2007. The Board is pleased to announce that on 22 July 2009, Zhongdian, a non-wholly owned subsidiary of the Company, entered into the Agreements with Xing Zhong regarding the Project in respect of the construction of two 300,000 kilowatts heat and electricity supply plants. The Project will utilise the Required Assets of Zhongshan Power, which is an existing Sino-foreign cooperative joint venture between Zhongdian and Xing Zhong in the existing proportion of 63% and 37% respectively. Currently, it is expected that the Project will require a total investment of approximately RMB3 billion (equivalent to approximately HK\$3,403 million) and will be funded and satisfied by means of (i) the contributions by Zhongdian and Xing Zhong into Zhongshan Power; and (ii) bank financing.

#### **B. CONTRIBUTIONS INTO JOINT VENTURE**

Pursuant to the Agreements, Zhongdian and Xing Zhong have agreed to make additional contributions into Zhongshan Power in order to provide part of the funding for the Project. As such, the registered capital of Zhongshan Power will increase from US\$35 million to RMB1,088.5 million. Zhongdian and Xing Zhong have also agreed to extend the original term of the joint venture, which is due to expire in 2013, for another 30 years from the

issue of new business licence to Zhongshan Power after the approval of the Project by the relevant PRC authorities.

Zhongdian will make contribution in cash of approximately RMB750 million (equivalent to approximately HK\$851 million), which will be made up by contributions from Zhongdian's two existing shareholders on a pro-rata basis in accordance with their shareholding. Xing Zhong will make contributions in cash of approximately RMB124 million (equivalent to approximately HK\$141 million) and in kind in terms of permitting Zhongshan Power to continue to use the Required Assets. Zhongdian and Xing Zhong have agreed that the value of the Required Assets will be RMB126 million (equivalent to approximately HK\$143 million), and accordingly, the total value of the contributions by Xing Zhong will amount to RMB250 million (equivalent to approximately HK\$284 million). The value of the Required Assets has been assessed by an independent valuer and the assessed value as of 31 May 2009 amounted to approximately RMB149.64 million (equivalent to approximately HK\$169.8 million). Due to the difference in the value of the contributions from Zhongdian and Xing Zhong, their interest in Zhongshan Power will be adjusted to 75% and 25% respectively after the making of the contributions. Zhongshan Power will continue to be an indirect non-wholly owned subsidiary of the Company. The cash contributions by Zhongdian and Xing Zhong will make up the increase in the registered capital of Zhongshan Power. The cooperative joint venture contract and articles of association of Zhongshan Power will be amended to give effect to the above changes.

As it is intended that the funding of the Project will be satisfied by means of (i) the contributions by Zhongdian and Xing Zhong into Zhongshan Power; and (ii) bank financing, it is currently expected that Zhongdian's funding requirement will not be more than approximately RMB750 million (equivalent to approximately HK\$851 million).

Under the original terms of the joint venture contract between Zhongdian and Xing Zhong, all fixed assets of Zhongshan Power (including, but not limited to, the Required Assets) would be required to transfer to Xing Zhong at no consideration upon the expiry of the joint venture term. However, under the amended terms of the joint venture contract between Zhongdian and Xing Zhong, Zhongshan Power will continue to be permitted to use the Required Assets and such assets will not be required to transfer to Xing Zhong upon the expiry of the extended term of the joint venture and will, instead, form part of the assets for distribution to the joint venture partners upon the liquidation of the joint venture pursuant to applicable laws and regulations in the PRC.

The Project, the additional contributions by Zhongdian and Xing Zhong into Zhongshan Power, the amendments to the cooperative joint venture contract and articles of

association of Zhongshan Power are subject to the approvals of relevant PRC government authorities.

### **C. INFORMATION ON ZHONGSHAN POWER**

Zhongshan Power is a Sino-foreign cooperative joint venture established in 1993. Zhongshan Power currently operates two power generation units with a total installed capacity of 110,000 kilowatts and is engaged in power generation in Guangdong Province, the PRC. The two existing power generation units will be closed down after the installation of the two 300,000 kilowatts new heat and electricity supply plants which are designed to be more efficient and environmentally friendly than the existing units.

According to the audited accounts of Zhongshan Power prepared based on China's Auditing Standards for the Certified Public Accountants, the audited net asset value of Zhongshan Power as at 31 December 2008 was approximately RMB141.6 million (equivalent to approximately HK\$160.6 million).

The audited net profit before and after tax of Zhongshan Power for the year ended 31 December 2008 were approximately RMB5.6 million and RMB4.6 million respectively (equivalent to approximately HK\$6.4 million and HK\$5.2 million respectively). The audited net profit before and after tax of Zhongshan Power for the year ended 31 December 2007 were RMB83.5 million and RMB68.4 million respectively (equivalent to approximately HK\$94.7 million and HK\$77.6 million respectively).

### **D. REASONS FOR ENTERING INTO THE AGREEMENTS**

The Board considers that by building larger, more efficient and environmentally friendly new heat and electricity supply plants which utilises the Required Assets of Zhongshan Power that are readily available, the Project will be in the interest of the Company and its shareholders as a whole, and will also enhance the profit and assets base of the Group.

### **E. LISTING RULES IMPLICATIONS**

Xing Zhong, by virtue of its interest in Zhongshan Power, is a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the Agreements by Zhongdian (which provide for details of the contributions by Zhongdian and Xing Zhong into Zhongshan Power) constitutes a connected transaction of the Company under the Listing Rules. Other than its relationship with Zhongshan Power, Xing Zhong is not otherwise a connected person of the Company as defined under the Listing Rules. As the contributions to be made by Zhongdian and Xing Zhong into Zhongshan Power will be on a non-pro rata basis, the entering into of the Agreements by Zhongdian will require the approval of the independent shareholders of the Company pursuant to Rule 14A.18 of the Listing Rules, and as such the Company is required to comply with the reporting, announcement and independent shareholders' approval requirements provided under Rule 14A.48 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Agreements have been entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and is fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

An independent board committee has been formed by the Company to advise the independent shareholders of the Company in respect of the connected transaction. An independent financial adviser, CIMB Securities (HK) Ltd., has also been appointed to advise the independent board committee and the independent shareholders of the Company.

According to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the ultimate beneficial owners of Xing Zhong and its associates do not hold any shares of the Company; and (ii) no shareholder of the Company and its associates is required to abstain from voting if the Company were to convene a general meeting for the approval of the entering into of the Agreements. In addition, the Company has obtained the written approval of the Agreements and the transactions contemplated thereunder from GDH Limited, which is beneficially interested in 3,765,770,781 shares of the Company, representing approximately 60.87% of the total issued share capital of the Company as at the date of this Announcement. On this basis, the Company has applied to the Stock Exchange for, and has been granted with, a waiver from the requirement to hold a general meeting in accordance with Rule 14A.43 of the Listing Rules. Accordingly, the independent shareholders' approval requirement will be satisfied by means of the written approval of GDH Limited in lieu of the holding of a general meeting.

A circular containing further details of the Agreements and the contributions contemplated under the Agreements, a letter from the independent board committee of the Company and a letter from the independent financial advisor of the Company will be despatched to the shareholders of the Company as soon as practicable in accordance with Chapter 14A of the Listing Rules.

## **F. GENERAL**

### **(i) Information on the Company**

The Company is principally engaged in investment holding, property holding and investment, investing in infrastructure and energy projects, water supply to Hong Kong, and Shenzhen and Dongguan, hotel ownership and operations, hotel management and department stores operation.

**(ii) Information on Xing Zhong**

Xing Zhong is a company established in the PRC which business scope includes investment in companies and provision of management services and property leasing services.

**G. DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Agreements"	means the two agreements entered into between Zhongdian and Xing Zhong dated 22 July 2009 in respect of the Project, the contributions into Zhongshan Power by the parties and other related matters
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	means the board of directors of the Company
"Company"	means Guangdong Investment Limited, a company incorporated in Hong Kong and whose shares are listed on the main board of the Stock Exchange
"Directors"	means the directors of the Company
"HK\$"	means Hong Kong dollars, the lawful currency of Hong Kong
"Listing Rules"	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	means the People's Republic of China
"Project"	means the proposed project for the construction of two 300,000 kilowatts heat and electricity supply coal fired plants to be carried out by Zhongshan Power utilising the Required Assets
"Required Assets"	means such fixed assets (i.e. the land use right over a piece of land in Zhongshan, the PRC, together with the existing pier, buildings and other fixed assets situated on that piece of land), that are currently being used by Zhongshan Power, and which are required to be used by Zhongshan Power for the Project
"RMB"	means Renminbi, the lawful currency of the PRC

"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Xing Zhong"	means 中山興中集團有限公司 (Zhongshan Xingzhong Group Co., Ltd.*), a company established in the PRC with limited liability
"Zhongdian"	means Zhongshan Power (Hong Kong) Limited (中山電力 (香港) 有限公司), a direct non-wholly owned subsidiary of the Company and whose interest is held as to 95% by the Company and as to 5% by Xing Zhong (through its wholly owned subsidiary)
"Zhongshan Power"	means 中山火力發電有限公司 (Zhongshan Power Plant Co. Ltd.*), a Sino-foreign cooperative joint venture whose interest is held, as at the date of this Announcement, as to 63% by Zhongdian and 37% by Xing Zhong, and is therefore a non-wholly owned subsidiary of the Company

By the Order of the Board

**Li Wenyue**

*Chairman*

Hong Kong, 22 July 2009

*\* For identification only*

*For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB1.00=HK\$1.1344 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount have been, could have been or may be exchanged.*

*As at the date of this announcement, the Board comprises three Executive Directors, Mr. LI Wenyue, Mr. ZHANG Hui and Mr. TSANG Hon Nam; seven Non-Executive Directors, Mr. CHENG Mo Chi, Moses, Mr. HUANG Xiaofeng, Mr. ZHAI Zhiming, Ms. XU Wenfang, Mr. LI Wai Keung, Mr. SUN Yingming and Ms. WANG Xiaofeng; and three Independent Non-Executive Directors, Mr. CHAN Cho Chak, John, Dr. The Honourable LI Kwok Po, David and Mr. FUNG, Daniel R.*