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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

On 20 October 2009, the Company entered into the S&P Agreement with Chun Wai (which is a wholly owned subsidiary of GDH) and GDH, under which, subject to the satisfaction and/or waiver of the Conditions, the Company has agreed to purchase and Chun Wai has agreed to sell the Sale Share (comprising the entire issued share capital of Target Co) and the Sale Loan, and GDH has agreed to guarantee the obligations of Chun Wai thereunder. Target Co, through its wholly owned subsidiaries, is indirectly interested in 25% of the registered capital of Project Co, which owns and operates the Hui Lai Power Plant.

As GDH is the immediate holding company, and hence a connected person, of the Company and Chun Wai (being the vendor of the Sale Share and the Sale Loan) is a wholly owned subsidiary, and hence an associate, of GDH, the Acquisition constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

In addition, in the event that the Further Additional Capital Contribution will be made by the Company after Completion, such Further Additional Capital Contribution (when aggregated with the Acquisition) will also constitute a non-exempt connected transaction of the Company.

Pursuant to Chapter 14A of the Listing Rules, GDH (and its associates holding shares of the Company, if any) are required to abstain from voting on the resolution at the EGM to approve the Acquisition and the making of the Further Additional Capital Contribution.

The Independent Board Committee comprising Mr. CHAN Cho Chak, John, Dr. The Honourable LI Kwok Po, David and Mr. FUNG, Daniel R, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition and the Further Additional Capital Contribution. CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee in this regard.

A circular containing, among other matters, further information on the Acquisition and the Further Additional Capital Contribution, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee to the Independent Shareholders, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

INTRODUCTION

On 20 October 2009, the Company entered into the S&P Agreement with Chun Wai (which is a wholly owned subsidiary of GDH) and GDH, under which, subject to the satisfaction and/or waiver of the Conditions, the Company has agreed to purchase and Chun Wai has agreed to sell the Sale Share (comprising the entire issued share capital of Target Co) and the Sale Loan, and GDH has agreed to guarantee the obligations of Chun Wai thereunder. Target Co, through its wholly owned subsidiaries, is indirectly interested in 25% of the registered capital of Project Co, which owns and operates the Hui Lai Power Plant.

THE S&P AGREEMENT

Date: 20 October 2009

Parties:

- (1) Chun Wai (as vendor)
- (2) The Company (as purchaser)
- (3) GDH (as guarantor with respect to Chun Wai's obligations under the S&P Agreement in favour of the Company)

Chun Wai is principally engaged in investment holding and is wholly and beneficially owned by GDH, which is an investment holding company and the immediate holding company of the Company.

Assets to be acquired

Pursuant to the S&P Agreement, the Company has agreed to acquire and Chun Wai has agreed to sell (i) the Sale Share (representing the entire issued share capital of Target Co), and (ii) the Sale Loan.

Target Co is an investment holding company and it holds the entire issued share capital of Sky River, which is also an investment holding company and holds the entire issued share capital of PRC Co, the principal business and asset of which is the holding of a 25% interest in the registered capital of Project Co. Project Co is the owner and operator of the Hui Lai Power Plant.

Consideration

The consideration for the sale and purchase of (i) the Sale Share is HK\$84,289,000, and (ii) the Sale Loan is HK\$515,711,000 (being the amount due from Target Co to Chun Wai as at the date of the S&P Agreement) plus an amount equal to the Further Payment, if any. The Purchase Consideration is payable by the Company in cash at Completion. The Company will finance the Purchase Consideration from its internal resources.

Project Co is contemplating and preparing for the construction of the No. 3 and No. 4 Power Generating Units, and the capital contribution requirements in connection therewith, as prepared by Project Co, amount to RMB1,369,270,000 (equivalent to approximately HK\$1,553,985,000). As Completion is subject to the Company receiving the approval of the Independent Shareholders at the EGM and will only take place after the EGM, Chun Wai may, pending Completion, provide further shareholder's loan(s) to Target Co for the purpose

of financing the construction of the No. 3 and No. 4 Power Generating Units by Project Co. To this end, it is agreed between Chun Wai and the Company under the S&P Agreement that in the event that, pending Completion, Chun Wai provides such further shareholder's loan(s) to Target Co, the Sale Loan Consideration will be the aggregate of (i) HK\$515,711,000 (being the amount due from Target Co to Chun Wai as at the date of the S&P Agreement) and (ii) an amount equal to the aggregate of such shareholder's loan(s) (being the Further Payment, Provided That the aggregate of all Further Payment(s), if any, shall not be more than the Maximum Further Payment).

The consideration for the purchase of the Sale Share and the Sale Loan (as at the date of the S&P Agreement) was determined based on:

- (i) the valuation of the Equipment as at 31 August 2009 prepared by Vigers Appraisal & Consulting Ltd, an independent valuer, of HK\$5,661,377,000. The said valuation has been prepared based on the market value of the Equipment, which in turn was arrived at by adopting the cost approach (depreciated replacement cost) and the market approach. Further details of the valuation will be set out in the EGM Circular; and
- (ii) the amount of approximately HK\$579.4 million, representing the aggregate of:
 - (1) the adjusted, unaudited consolidated net asset value (prepared based on HKGAAP) of the Target Co Group (as adjusted by the valuation of Equipment) as at 31 August 2009 (being the amount of approximately HK\$63.7 million), and
 - (2) the face value of the Sale Loan as at the date of the S&P Agreement (being the sum of HK\$515,711,000).

The Directors (other than the independent non-executive Directors whose views will be set out in the EGM Circular) consider the terms and conditions of the Acquisition to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors (other than the independent non-executive Directors whose views will be set out in the EGM Circular) consider the terms and conditions of the Acquisition to be on normal commercial terms.

Conditions precedent to Completion

Completion of the S&P Agreement is conditional upon the following:

- (i) the passing of such resolution(s), in such terms as the Company considers to be appropriate, by the Independent Shareholders at the EGM in relation to (1) the acquisition of the Sale Share and the Sale Loan (including, for the avoidance of doubt, any and all Further Payments up to the Maximum Further Payment) by the Company under the S&P Agreement, and (2) the making of the Further Additional Capital Contribution; and
- (ii) the making of any and all Further Payment, if any, and the performance of all the undertakings of Chun Wai and/or GDH under the S&P Agreement to the satisfaction of the Company.

The Conditions (other than that set out in paragraph (i)) may be waived (in whole or in part) by the Company.

Completion

Completion shall take place on the date as the Company may by notice in writing to Chun Wai determine being a date not earlier than the day falling seventh Business Day next following the last unfulfilled Condition is satisfied or waived. If the Conditions shall not have been fulfilled and/or waived in full by 5:00 p.m. on 26 February 2010 or such other date as Chun Wai and the Company may agree in writing, all rights, obligations and liabilities of the parties under the S&P Agreement shall cease and terminate and none of the parties shall have any claim against any other in respect of the S&P Agreement save for in respect of any antecedent breach of the S&P Agreement.

INFORMATION ON THE TARGET CO GROUP

Target Co is an investment holding company and it holds the entire issued share capital of Sky River, which is also an investment holding company and holds the entire issued share capital of PRC Co, the principal business and asset of which is the holding of a 25% interest in the registered capital of Project Co.

Project Co was established on 25 March 2005 and is the owner and operator of the Hui Lai Power Plant, which is a coal-fired power plant with two 600 megawatt (MW) power generators located at 廣東省揭陽市惠來縣靖海鎮 (Jinghai County, Huilai Town, Jieyang City, Guangdong Province) in the PRC. The Hui Lai Power Plant commenced commercial operation in February 2007 and it sells power to the power networks of 廣東電網公司 (Guangdong Power Grid Co., Ltd.*).

The other holders of the registered capital of Project Co are Guangdong Power and Hui Lai Power Investment Co holding 65% and 10%, respectively of the registered capital of Project Co.

Guangdong Power is a company listed on the Shenzhen Stock Exchange. Based on the public records available to the Directors, Yudean Group was interested, directly and indirectly, in approximately 49.3% of the issued shares of Guangdong Power. In addition, Yudean Group, through a subsidiary, is also a substantial shareholder of GPIL, a subsidiary of the Company.

Hui Lai Power Investment Co is an Independent Third Party.

Target Co and Sky River were intermediate holding companies incorporated on 8 August and 30 December 2008, respectively for the sole purpose of holding GDH's (through PRC Co) investment in Project Co, and accordingly Target Co and Sky River do not, as yet, have audited accounts for the periods from their respective incorporation dates to 31 December 2008. The following table shows the audited turnover, profit/(loss) before tax and net profit/(loss) after tax of PRC Co (prepared based on the China Auditing Standards for Certified Public Accountants with PRC Co's 25% holding in the registered capital of Project Co being equity accounted for) for the two financial years ended 31 December 2008:

	Year ended 31 December	
	<u>2007</u>	<u>2008</u>
	RMB0	RMB0
Turnover		
Profit/(Loss) before tax	RMB674,000 (equivalent to approximately HK\$765,000)	(RMB31,728,000) (equivalent to approximately (HK\$36,008,000))
Net profit/(Loss) after tax	RMB595,000 (equivalent to approximately HK\$675,000)	(RMB31,728,000) (equivalent to approximately (HK\$36,008,000))

As at 31 August 2009, the unaudited total assets and total liabilities of the Target Co Group, prepared based on HKGAAP, were approximately HK\$541.0 million and HK\$516.1 million (of which HK\$515,711,000 was the face value of the Sale Loan), respectively, and the unaudited consolidated net asset value of the Target Co Group, prepared based on HKGAAP, was approximately HK\$24.9 million.

The Guangdong Holdings Group (through PRC Co) entered into an agreement on 29 August 2007 to acquire the 25% registered capital in Project Co of RMB387,500,000 (equivalent to approximately HK\$439,774,000) from Yudean Group for RMB453,615,000 (equivalent to approximately HK\$514,808,000). The Guangdong Holdings Group financed PRC Co's acquisition of such 25% interest through bank borrowings. Accordingly, as at 31 August 2009, the Guangdong Holdings Group's total cost of acquiring and holding such investment in 25% of the registered capital in Project Co was approximately RMB518,722,000 (equivalent to approximately HK\$588,698,000).

REASONS FOR THE ACQUISITION AND BENEFITS TO THE COMPANY

The operating cost of the Hui Lai Power Plant is low compared to other existing power plants of the Group. First, the Hui Lai Power Plant utilizes machinery with the highest combustion efficiency of coal-fire plants. Secondly, Hui Lai Power Plant has logistics advantages in that it is strategically located on the coast of eastern Guangdong Province and is equipped with its own jetty with a maximum throughput of 70,000 tons, and thus the transportation of the fuel required by the plant is not constrained by the inadequate capacity of national rail system. In addition, such location allows it to enjoy the benefit of being served by a shorter shipping route and hence the lower transportation cost for its fuel.

Taking into account factors including, among others, (i) the potential market demand for electric power in the PRC in the long term attributable to the momentum of the development of its economy; (ii) the synergy effects on the electric power generation business of the Group; and (iii) the competitive strength of the Hui Lai Power Plant mentioned above, the Directors (other than the independent non-executive Directors whose views will be set out in the EGM Circular) consider that the terms of the Acquisition and the making of the Further Additional Capital Contribution are fair and reasonable, and the Acquisition and the making of the Further Additional Capital Contribution are in the interests of the Shareholders as a whole, and that the Acquisition and the making of the Further Additional Capital Contribution will also enhance the profit and assets base of the GDI Group in the long term.

LISTING RULES IMPLICATIONS

As GDH is the immediate holding company of both Chun Wai and the Company, Chun Wai is a connected person of the Company, and therefore the Acquisition constitutes a non-exempt connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

In addition, Yudean Group, through a subsidiary, is also a substantial shareholder of GPIL, a subsidiary of the Company. Accordingly, Yudean Group is a connected person of the Company. Further, based on the public records available to the Directors, Yudean Group is interested in approximately 49.3% of the issued shares of Guangdong Power, which renders Project Co a connected person of the Company. As Project Co is contemplating and preparing for the construction of the No. 3 and No. 4 Power Generating Units, in the event that Further Additional Capital Contribution is required to be made by the Company (acting through PRC Co), in view of Yudean Group's indirect interests in GPIL and in Project Co mentioned above, the Further Additional Capital Contribution, when aggregated with the Acquisition, would also constitute a non-exempt connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

Accordingly, the EGM will be convened to consider the approval of the Acquisition and the making of the Further Additional Capital Contribution.

GENERAL

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.

The Directors (other than the independent non-executive Directors whose views will be set out in the EGM Circular) consider that the S&P Agreement has been entered into, and the Further Additional Capital Contribution will be made, 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 Shareholders as a whole. The Independent Board Committee comprising Mr. CHAN Cho Chak, John, Dr. The Honourable LI Kwok Po, David and Mr. FUNG, Daniel R, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition and the making of the Further Additional Capital Contribution. CIMB has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

The EGM Circular containing, among other matters, information on the Acquisition and the Further Additional Capital Contribution, a letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, a letter from the Independent Board Committee to the Independent Shareholders and the notice for the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Definitions

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

"Acquisition"	the proposed acquisition by the Company of the Sale Share and the Sale Loan subject to and upon the terms and conditions of the S&P Agreement
"No. 3 and No. 4 Power Generating Units"	Power Generating Units No.3 and No.4 to be installed by Project Co at the Hui Lai Power Plant
"associate"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Chun Wai"	Chun Wai Consultants Limited, a company wholly owned by GDH
"CIMB"	CIMB Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Company"	Guangdong Investment Limited, a company incorporated in Hong Kong with its shares listed on the main board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Share and the Sale Loan in accordance with the terms and conditions of S&P Agreement
"Condition(s)"	the conditions precedent to completion of the S&P Agreement as set out in the section headed " Conditions Precedent to Completion " in this announcement
"connected person"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of approving the Acquisition and the making of the Further Additional Capital Contribution
"EGM Circular"	the explanatory circular of the Company (containing the notice for the EGM) relating to the Acquisition and the making of the Further Additional Capital Contribution which will be despatched to the Shareholders

"Equipment"	the machinery and equipment, transportation equipment, office equipment, fixtures and non-production equipment, the construction in progress in relation to the No. 3 and No. 4 Power Generating Units and the appliances installed in staff dormitory owned by Project Co
"Further Additional Capital Contribution"	any and all capital contribution(s) required to be made by PRC Co (in proportion to its holding of the registered capital of Project Co) to Project Co after Completion in connection with the No.3 and No.4 Power Generating Units, such amount(s) shall aggregate up to (i) RMB217,317,500 (in the case where the Sale Loan Consideration at Completion shall have included Further Payment(s) aggregating the Maximum Further Payment), or (ii) RMB342,317,500 (in the case where the Sale Loan Consideration at Completion shall not have included any Further Payment)
"Further Payment(s)"	the possible further provision of loan(s) from the date of the S&P Agreement to the date of Completion, if any, in the aggregate amount of not more than the Maximum Further Payment by Chun Wai to Target Co, which will in turn be paid by Target Co through Sky River and PRC Co (in proportion to PRC Co's holding of the registered capital of Project Co) to Project Co as capital contribution for the purpose of financing the construction of the No. 3 and No. 4 Power Generating Units
"GDH"	GDH Limited (粵海控股集團有限公司), the immediate holding company of the Company
"GDI Group"	the Company and its subsidiaries from time to time
"GPIL"	Guangdong Power (International) Limited, a subsidiary of the Company
"Guangdong Holdings"	廣東粵海控股有限公司 (Guangdong Holdings Limited*), a company established in PRC and the holding company of GDH
"Guangdong Holdings Group"	Guangdong Holdings and its subsidiaries (other than the GDI Group) from time to time
"Guangdong Power"	廣東電力發展股份有限公司 (Guangdong Electric Power Development Co., Ltd.), a company established in PRC with its "A" shares and "B" shares listed on the Shenzhen Stock Exchange

"HKGAAP"	the generally accepted accounting principles, standards and practices in Hong Kong (including all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants)
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hui Lai Power Investment Co"	惠來縣沿海電力投資有限公司 (Hui Lai County Coastal Power Investment Co., Ltd.*), a company established in the PRC and an Independent Third Party
"Hui Lai Power Plant"	the coal-fired power plant with two 600 megawatt (MW) power generators located at 廣東省揭陽市惠來縣靖海鎮 (Jinghai County, Huilai Town, Jieyang City, Guangdong Province) in the PRC and owned and operated by Project Co
"Independent Board Committee"	the independent committee of the Board, comprising the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in relation to the Acquisition and the making of the Further Additional Capital Contribution
"Independent Shareholders"	Shareholders which are not required to abstain from voting at the general meeting of the Company to approve the Acquisition and the making of the Further Additional Capital Contribution
"Independent Third Party"	the independent third party who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is independent and not a connected person of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
"Maximum Further Payment"	the amount of RMB125,000,000 (equivalent to approximately HK\$141,863,000), being the amount (prorated based on PRC Co's interest in the registered capital of Project Co) that may potentially be required, prior to Completion, by Project Co from PRC Co as capital contribution in connection with the No.3 and No.4 Power Generating Units
"PRC"	the People's Republic of China, which for the purposes of this S&P Agreement excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

"PRC Co"	廣東啓創投資發展有限公司(Guangdong Qi Chuan Investment Development Co., Ltd.*), a company established in the PRC as a wholly foreign owned enterprise and a direct wholly owned subsidiary of Sky River
"Project Co"	廣東粵電靖海發電有限公司(Guangdong Yudean Jinghai Power Generation Co., Ltd.*), a company established in the PRC and 25% of its registered capital is held by PRC Co
"Purchase Consideration"	being the aggregate of the Sale Share Consideration and the Sale Loan Consideration
"RMB"	the lawful currency of the PRC
"S&P Agreement"	the agreement dated 20 October 2009 and made between Chun Wai, the Company and GDH in relation to the sale and purchase of the Sale Share and the Sale Loan
"Sale Share"	the ONE share, representing the entire issued share capital of Target Co
"Sale Share Consideration"	HK\$84,289,000, being the amount payable by the Company for the purchase of the Sale Share
"Sale Loan"	one or more shareholder's loan(s) representing the aggregate of (i) HK\$515,711,000, being the amount due from Target Co to Chun Wai as at the date of the S&P Agreement, and (ii) an amount equal to the aggregate of any and all Further Payment(s)
"Sale Loan Consideration"	the face value of the Sale Loan, being the aggregate of (i) HK\$515,711,000, being the amount due from Target Co to Chun Wai as at the date of the S&P Agreement, and (ii) an amount equal to the aggregate of any and all Further Payment(s)
"Shareholder(s)"	shareholder(s) of the Company
"Sky River"	Sky River Investments Limited, a direct wholly owned subsidiary of Target Co
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Co"	Golden River Chain Limited, a wholly owned subsidiary of Chun Wai as at the date of the S&P Agreement
"Target Co Group"	Target Co and its subsidiaries and Project Co

"Yudean Group"

廣東省粵電集團有限公司 (Guangdong Yudean Group Co., Ltd.*), a company established in the PRC

By the Order of the Board
Li Wenyue
Chairman

Hong Kong, 20 October 2009

** The English translation of the Chinese name of the relevant company included in this announcement is prepared by the Company for reference only, and such translation may not be accurate and such company may not have an official English translation/version of its Chinese name.*

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at RMB1=HK\$1.1349.

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, Dr. 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.