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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)**

**CONTINUING CONNECTED TRANSACTION**  
**AND**  
**REVISION OF THE ANNUAL CAP RELATING TO HOTEL**  
**MANAGEMENT AGREEMENTS**

Reference is made to the announcement of the Company dated 31 December 2008 in relation to the renewal of continuing connected transactions entered into by GIHM, a wholly-owned subsidiary of the Company.

On 9 June 2009, the ownership of Fu Hua Hotel was transferred to independent third parties. Fu Hua Hotel ceased to be an asset of GHG Group and the transaction pursuant to the Second Fu Hua Agreement ceased to be a continuing connected transaction of the Company effective from 9 June 2009.

The Zhengzhou Hotel Agreement expired on 30 September 2009 upon the opening of Guangdong Hotel (Henan) at the beginning of October 2009 in accordance with the terms of the Zhengzhou Hotel Agreement. On 30 October 2009, GIHM (China) and Kwong Leung Hing entered into the Henan Hotel Agreement in respect of Guangdong Hotel (Henan) for a term from 1 October 2009 to 31 December 2010.

GIHM (China) has also on 30 October 2009 renewed the Existing Shanghai Hotel Agreement with Take Win for a term of one year from 1 January 2010 to 31 December 2010.

The Existing Hotel Management Agreements are continuing in accordance with their original terms. A summary of the details of the Henan Hotel Agreement, the Shanghai Hotel Agreement and each of the Existing Hotel Management Agreements are set out in this announcement.

Both Kwong Leung Hing and Take Win are indirect wholly-owned subsidiaries of GDH, the 60.61% controlling shareholder of the Company. The other counterparty to GIHM (China) in the Existing Hotel Management Agreements, namely Dongshen, is a wholly-owned subsidiary of GHG, the ultimate controlling shareholder of the Company. They are accordingly all connected persons of the Company and the Henan Hotel Agreement and the Shanghai Hotel Agreement, together with the Existing Hotel Management Agreements, constitute continuing connected transactions for the purpose of the Listing Rules.

With the new Henan Hotel Agreement and the renewal of Existing Shanghai Hotel Agreement, the annual caps among the two years 2009 and 2010 are revised. The highest annual caps among the two years of 2009 and 2010 under the Hotel Management Agreements are estimated to be, in aggregate, approximately, RMB9,096,064 representing more than 0.1% but less than 2.5% of all applicable percentage ratios of the Listing Rules.

For the purpose of 14A.34 of the Listing Rules, the Henan Hotel Agreement and the Shanghai Hotel Agreement are exempt from independent shareholders' approval requirement.

Pursuant to Rule 14A.36(1) of the Listing Rules, where a previously announced annual cap is exceeded or proposed to be exceeded, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements (as appropriate) as set out in Rules 14A.35(3) and 14A.35(4) of the Listing Rules. The applicable percentage ratio in respect of the highest annual cap remains less than 2.5% of all applicable percentage ratios of the Listing Rules and accordingly the Existing Hotel Management Agreements, the Henan Hotel Agreement and the Shanghai Hotel Agreement are exempt from independent shareholders' approval requirement.

## PROVISION OF HOTEL MANAGEMENT AND OTHER SERVICES

On 30 October 2009, GIHM (China), an indirect wholly-owned subsidiary of the Company entered into the Henan Hotel Agreement and the Shanghai Hotel Agreement. Pursuant to the Hotel Management Agreements, GIHM Group agreed with the respective connected persons to provide hotel management and other services to the hotels at the management fees and for the terms set out below:-

<b>Contract</b>	<b>Hotel</b>	<b>Estimated Management Fee</b>	<b>Annual Cap 2009 (RMB)</b>	<b>Annual Cap 2010 (RMB)</b>
Zhengzhou Hotel Agreement <i>(Contract Expired)</i>	Guangdong Hotel (Henan)	RMB3,336,064	3,336,064	N/A
Henan Hotel Agreement <i>(New Contract)</i>	Guangdong Hotel (Henan)	2% on total operating income plus 6% of GOP	350,000	2,652,000
First Fu Hua Agreement <i>(Contract Expired)</i>	Fu Hua Hotel	2% on total operating income or HK\$100,000, whichever is higher plus 10% on profit after tax (subject to adjustment)	600,000	N/A

Second Fu Hua Agreement (Ceased to be a continuing connected transaction on 9 June 2009)	Fu Hua Hotel	2% on total operating income or HK\$100,000, whichever is higher plus 10% on profit after tax (subject to adjustment)	1,100,000	N/A
Existing Shanghai Hotel Agreement (Existing Contract)	Guangdong Hotel (Shanghai)	2% on total operating income plus 6% of GOP	2,400,000	N/A
Shanghai Hotel Agreement (Contract Renewed)	Guangdong Hotel (Shanghai)	2% on total operating income plus 6% of GOP	N/A	2,400,000
Golden Lake Hotel Agreement (Existing Contract)	Golden Lake Guangdong Hotel	2% on total operating income plus 2% of GOP, subject to fulfillment of performance targets	1,100,000	1,200,000
GDH Inn Agreement (Existing Contract)	GDH Inn Hotel (Donghu)	2% on total operating income plus 2% of GOP, subject to fulfillment of performance targets	210,000	230,000
<b>Total</b>			<b>9,096,064</b>	<b>6,482,000</b>

The above management fees are arrived at after arm's length negotiations between the parties thereto and on normal commercial terms.

The obligations of GIHM (China) under the Henan Hotel Agreement and the Shanghai Hotel Agreement include managing the hotels and assisting the hotels to develop a standardised management system consistent with the best practices of the industry to improve the quality of their services and to maximise profits.

## CONNECTED PERSONS

Both Kwong Leung Hing and Take Win are indirect wholly-owned subsidiaries of GDH, the 60.61% controlling shareholder of the Company.

The other counterparty to GIHM (China) in the Existing Hotel Management Agreements, namely Dongshen, is a wholly-owned subsidiary of GHL, the ultimate controlling shareholder of the Company.

Accordingly, all of them are connected persons of the Company and the Henan Hotel Agreement and the Shanghai Hotel Agreement, together with the Existing Hotel Management Agreements, constitute continuing connected transactions for the purpose of the Listing Rules.

## **REASONS FOR ENTERING THE HENAN HOTEL AGREEMENT AND THE SHANGHAI HOTEL AGREEMENT**

As Guangdong Hotel (Henan) came into operation at the beginning of October this year, the Zhengzhou Hotel Agreement expired. GIHM (China) and Kwong Leung Hing entered into the Henan Hotel Agreement pursuant to which GIHM (China) will provide hotel management services to Guangdong Hotel (Henan). The Existing Shanghai Hotel Agreement will expire at the end of this year and therefore the parties agree to renew the management service agreement.

The Henan Hotel Agreement and the Shanghai Hotel Agreement, like the Existing Hotel Management Agreements, are arrangements entered into in the ordinary and usual course of business of the GIHM Group. Their terms and conditions are normal commercial terms and are negotiated on an arms-length basis. Their management fees are in line with the market rates.

It is also expected that the hotel management services provided under the Henan Hotel Agreement and the Shanghai Hotel Agreement will enhance the portfolio of the GIHM Group and therefore, its market coverage.

The Directors, including the independent non-executive directors of the Company, are of the view that the terms of the Henan Hotel Agreement and the Shanghai Hotel Agreement are fair and reasonable and are in the interests of both the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

For the 9 month period ended 30 September 2009, according to the management accounts of GIHM Group, the total management fee revenue from the continuing connected transactions under the Zhengzhou Hotel Agreement, the Fu Hua Hotel Agreements and the Existing Hotel Management Agreements amounted to approximately RMB 4.8 million.

Following the cessation of the Second Fu Hua Agreement as a continuing connected transaction and the entering into of the Henan Hotel Agreement and the Shanghai Hotel Agreement, the annual caps under the Hotel Management Agreements for the years 2009 and 2010 are estimated to be, in aggregate, approximately 9,096,064 and RMB 6,482,000 respectively with the higher 2009 annual cap representing more than 0.1% but less than 2.5% of all the applicable percentage ratios of the Listing Rules.

The above annual caps are set by reference to the projection of the total management fee revenue under the Hotel Management Agreements for each year in question which projection is in turn based on the projection of the operating results of the hotels concerned, including the room rates, occupancy rates and also all the other revenue (if any) of those hotels.

For the purpose of Rule 14A.34 of the Listing Rules, the Henan Hotel Agreement and the Shanghai Hotel Agreement are exempt from independent shareholders' approval requirement. Pursuant to Rule 14A.36(1) of the Listing Rules, where a previously announced annual cap is exceeded or proposed to be exceeded, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements (as appropriate) as set out in Rules 14A.35(3) and 14A.35(4) of the Listing Rules. The applicable percentage ratio in respect of the highest annual cap remains less than 2.5% of all applicable percentage ratios of the Listing Rules and accordingly they are exempt from independent shareholders' approval requirement.

The Company shall comply with the reporting and annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules in relation to the Hotel Management Agreements.

## **PRINCIPAL BUSINESS OF THE COMPANY AND THE CONNECTED PERSONS**

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 operations.

The principal businesses of GIHM are the provision of hotel management services and investment holding.

The principal business of GIHM (China) is the provision of hotel management services.

The principal businesses of Kwong Leung Hing are property development and investment holding. The principal business of Take Win is investment holding.

## **DEFINITIONS:**

“Company”	Guangdong Investment Limited;
“Directors”	The directors of the Company;
“Dongshen”	深圳市東深投資控股有限公司 (Shenzhen Dongshen Investment Holding Company Limited), a company established in the PRC;
“Existing Hotel Management Agreements”	Existing Shanghai Hotel Agreement, Golden Lake Hotel Agreement and GDH Inn Agreement;
“Existing Shanghai Hotel Agreement”	The management service agreement dated 18 April 2008 entered into between GIHM (China) and Take Win in relation to the management of Guangdong Hotel (Shanghai) for a term of two years from 1 January 2008 to 31 December 2009;
“First Fu Hua Agreement”	The management service agreement dated 1 May 2006 entered into between GIHM and Guangdong Assets No. 10 and Nam Yue in relation to the provision of hotel management services for Fu Hua Hotel for a term of three years from 1 May 2006 to 30 April 2009;
“Fu Hua Hotel ”	澳門富華粵海酒店 (Fu Hua Guangdong Hotel (Macau)), a hotel located in Macau SAR, the PRC;
“Fu Hua Hotel Agreements”	The First Fu Hua Hotel Agreement and the Second Fu Hua Hotel Agreement;
“Guangdong Assets No. 10”	Guangdong Assets Management (BVI) No. 10 Limited, a company incorporated in the British Virgin Islands;

“GDH”	GDH Limited, a company incorporated in Hong Kong;
“GDH Inn Agreement”	The management service agreement dated 18 April 2008 entered into between GIHM (China) and Dongshen in relation to the management of the GDH Inn Hotel (Donghu) for a term of three years from 1 January 2008 to 31 December 2010;
“GDH Inn Hotel (Donghu)”	深圳市東深投資控股有限公司粵海之星酒店(GDH Inn Hotel (Donghu)), a hotel located in Shenzhen, the PRC;
“GHL”	廣東粵海控股有限公司 (Guangdong Holdings Limited), a company established in the PRC;
“GHL Group”	GHL and its subsidiaries (other than the Company and its subsidiaries);
“GIHM”	Guangdong (International) Hotel Management Holdings Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong;
“GIHM (CHINA)”	粵海國際酒店管理(中國)有限公司 (Guangdong International Hotel Management (China) Limited), a wholly-owned subsidiary of GIHM established in the PRC;
“GIHM Group”	GIHM and its wholly-owned subsidiary, GIHM (China);
“Golden Lake Guangdong Hotel”	東莞金湖粵海酒店(Golden Lake Guangdong Hotel), a hotel located in Dongguan, the PRC;
“Golden Lake Hotel Agreement”	The management service agreement dated 18 April 2008 entered into between GIHM (China) and Dongshen in relation to the management of the Golden Lake Guangdong Hotel for a term of three years from 1 January 2008 to 31 December 2010;
“GOP”	Gross operating profits;
“Guangdong Hotel (Henan)”	河南省粵海酒店(Guangdong Hotel (Henan)) (formerly known as 鄭州萬鑫酒店(Guangdong Hotel (Zhengzhou)), a hotel located in Zhengzhou, the PRC;
“Guangdong Hotel (Shanghai)”	上海粵海酒店(Guangdong Hotel (Shanghai)), a hotel located in Shanghai, the PRC;
“Henan Hotel Agreement”	The management service agreement dated 30 October 2009 entered into between GIHM (China) and Kwong Leung Hing in relation to the management of Guangdong Hotel (Henan) for a term from 1 October 2009 to 31 December 2010;
“Hotel Management Agreements”	The Zhengzhou Hotel Agreement, Fu Hua Hotel Agreements, Existing Hotel Management Agreements, Henan Hotel Agreement and Shanghai Hotel Agreement;

“Kwong Leung Hing”	Kwong Leung Hing (H.K.) Properties Company Limited, a company incorporated in Hong Kong;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Nam Yue”	Nam Yue Hotel Management Company Limited, a company incorporated in Macau SAR, the PRC;
“PRC”	The People’s Republic of China;
“Second Fu Hua Hotel Agreement”	The management service agreement dated 31 December 2008 entered into between GIHM and Guangdong Assets No. 10 and Nam Yue in relation to the provision of hotel management services for Fu Hua Hotel for a term from 1 May 2009 to 31 December 2010;
“Shanghai Hotel Agreement”	The management service agreement dated 30 October 2009 entered into between GIHM (China) and Take Win in relation to the management of Guangdong Hotel (Shanghai) for a term of one year from 1 January 2010 to 31 December 2010;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Take Win”	Take Win Investment Limited, a company incorporated in Hong Kong; and
“Zhengzhou Hotel Agreement”	The management service agreement dated 31 December 2008 entered into between GIHM and Kwong Leung Hing in relation to the management of Guangdong Hotel (Henan) for a term from 1 January 2009 to the earlier of the opening of the hotel or 31 December 2009.

By Order of the Board  
**TSANG Hon Nam**  
*Director*

Hong Kong, 30 October 2009

*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 of Directors of the Company 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.*