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

If you have sold or transferred all your shares in **Shenzhen Investment Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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深圳控股有限公司 SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 604)

CONNECTED TRANSACTIONS

SPLIT AGREEMENT AND FORMATION OF JOINT VENTURE

**Independent financial adviser to the Independent Board Committee
and independent Shareholders**



CIMB

CIMB-GK Securities (HK) Limited

A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the independent Shareholders in respect of the Split Agreement is set out on pages 15 to 16 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and independent Shareholders in respect of the Split Agreement and the Hangfa Establishment is set out on pages 17 to 25 of this circular.

A notice convening the Second EGM to be held at Garden Room C&D, 2/F, Hotel Nikko, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 9 February 2007 at 2:45 p.m. (or so soon as the extraordinary general meeting of the Company convened on the same day and place at 2:00 p.m. shall have been concluded or adjourned) is set out on pages 33 to 34 of this circular. A form of proxy for use at the Second EGM is enclosed with this circular. Whether or not you are able to attend the Second EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and return it to the registered office of the Company at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Second EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Second EGM or any adjournment thereof should you so wish.

5 January 2007

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Announcement”	the announcement of the Company dated 14 December 2006 relating to the Transactions
“associates”	has the meaning ascribed to it under the Listing Rules
“Baoneng”	深圳市寶能投資集團有限公司 (Shenzhen Municipal Baoneng Investment Group Company Limited), holding 25% interest in Shum Yip Logistics
“Board”	the board of Directors
“Company” or “SIL”	Shenzhen Investment Limited (深圳控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Employees”	a group of employees of Shum Yip Logistics holding in aggregate 2.4734% interest in Shum Yip Logistics
“Group” or “SIL Group”	the Company and its subsidiaries
“Group A Shareholders”	the Company and the Employees
“Group B Shareholders”	Baoneng, Jushen and Yintong
“Hangfa”	深圳深業恒發物流開發股份有限公司 (Shenzhen Shum Yip Hangfa Logistics Kaifa Shares Company Limited), a company to be established by the Company and the Employees pursuant to the Split Agreement
“Hangfa Establishment”	the establishment of Hangfa by the Company and the Employees for the purpose of the injection of the assets allocated to Group A Shareholders upon completion of the Split Agreement pursuant to the terms of the Split Agreement

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hong Kong GAAP”	Hong Kong Generally Accepted Accounting Principles
“Independent Board Committee”	an independent committee of the Board comprising Mr. Wong Po Yan, Mr. Li Wai Keung and Mr. Wu Wai Chung, Michael
“Independent Financial Adviser”	CIMB-GK 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 SFO, the independent financial adviser to the Independent Board Committee and independent Shareholders
“Jushen”	深圳市鉅盛華實業發展有限公司 (Shenzhen Municipal Jushen Shiye Development Company Limited), holding 11.5266% interest in Shum Yip Logistics
“Latest Practicable Date”	29 December, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Ming Ru (劉明如), a director of Shum Yip Logistics and one of the Employees
“PRC”	the People’s Republic of China which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
“Second EGM”	the second extraordinary general meeting of the Company to be convened at Garden Room C&D, 2/F., Hotel Nikko, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 9 February 2007 at 2:45 p.m. (or so soon as the extraordinary general meeting of the Company convened on the same day and place at 2:00 p.m. shall have been concluded or adjourned), or any adjournment thereof, at which the Split Agreement and all the transactions contemplated thereunder will be considered and, if thought fit, approved
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shares”	share(s) of HK\$0.05 each in the capital of the Company
“Shareholders”	holders of Shares
“Shum Yip Logistics” or “SYL”	深圳深業物流集團股份有限公司 (Shenzhen Shum Yip Logistics Group Holdings Co., Ltd.), a non-wholly owned subsidiary of the Company
“Shum Yip Shareholders”	shareholders of Shum Yip Logistics
“Split Agreement”	a Split Agreement dated 11 December 2006 entered into between Group A Shareholders and Group B Shareholders pursuant to which the parties have agreed that all the assets (including assets and liabilities) of Shum Yip Logistics will be divided and allocated to Group A Shareholders and Group B Shareholders openly and fairly in substantial proportion to their shareholdings in Shum Yip Logistics and that the assets allocated to Group A Shareholders be injected into Hangfa upon completion of the Split Arrangement
“Split Arrangement”	the split and allocation of all the assets (including assets and liabilities) of Shum Yip Logistics to Group A Shareholders and Group B Shareholders pursuant to the terms of the Split Agreement
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the Split Arrangement and the Hangfa Establishment
“Yintong”	深圳市銀通投資發展有限公司 (Shenzhen Yintong Investment Development Limited), holding 10% interest in Shum Yip Logistics
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi yuan, the lawful currency of PRC
“%”	per cent.

For illustration purpose, in this circular, the exchange rate at RMB1 = HK\$1 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

English names of the PRC established companies in this circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

LETTER FROM THE BOARD



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 604)

Executive Directors:

HU Aimin (*Chairman*)

ZHANG Yijun

ZHAO Gesheng

XIAO Rihai

LIANG Kaiping

LIU Weijin

ZHANG Huaqiao

TAM Ping Lung

Registered Office:

8th Floor, New East Ocean Centre

9 Science Museum Road

Tsimshatsui, Kowloon

Hong Kong

Non-Executive Directors:

HU Zuoyuan

LEE Yip Wah, Peter

Dr. WU Jiesi

Independent Non-Executive Directors:

WONG Po Yan

LI Wai Keung

WU Wai Chung, Michael

5 January 2007

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

SPLIT AGREEMENT

AND

FORMATION OF JOINT VENTURE

1. INTRODUCTION

On 14 December 2006, the Directors announced that the Company entered into the Split Agreement with the Employees, Baoneng, Jushen and Yintong pursuant to which all the assets (including assets and liabilities) of Shum Yip Logistics will be divided and allocated to Group A Shareholders and Group B Shareholders openly and fairly in substantial proportion to their

LETTER FROM THE BOARD

shareholdings in Shum Yip Logistics. All the assets and liabilities allocated to Group A Shareholders will be injected into Hangfa, a company to be established under PRC law which shall be owned as to 95.3745% by the Company and as to 4.6255% by the Employees.

The Split Arrangement and the Hangfa Establishment constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Board appointed the Independent Board Committee to consider and advise the independent Shareholders on the terms of the Transactions, and the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on whether the terms of the Transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The purpose of this circular is: to (i) provide the Shareholders with further information on the Transactions; (ii) set out the letter from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders on the terms of the Transactions; and (iii) give notice of the Second EGM to the Shareholders.

2. THE SPLIT AGREEMENT

On 11 December 2006, the Company entered into the Split Agreement with the Employees, Baoneng, Jushen and Yintong in relation to, inter alia, the Split Arrangement, which constitutes a connected transaction for the Company under the Listing Rules.

(a) The Split Agreement

(i) Date

11 December 2006

LETTER FROM THE BOARD

(ii) *The parties*

Group A Shareholders : The Company; and

the Employees;

Other than Mr. Liu, none of the Employees are connected persons of the Company as defined in the Listing Rules as at the Latest Practicable Date.

Group B Shareholders : Baoneng;

Jushen; and

Yintong.

(b) Material Terms of the Split Agreement

Pursuant to the two shareholders' meetings of Shum Yip Logistics held on 18 June 2006 and 11 December 2006 respectively, the Shum Yip Shareholders resolved that Shum Yip Logistics be split (分立) pursuant to PRC Company Law. Pursuant to the Split Arrangement, all the assets (including assets and liabilities) of Shum Yip Logistics will be divided and allocated to Group A Shareholders and Group B Shareholders openly and fairly in substantial proportion to their shareholdings in Shum Yip Logistics. The proportion of net assets in Shum Yip Logistics to be allocated to Group A Shareholders and Group B Shareholders is 57.0586% and 42.9414% respectively.

All the assets and liabilities allocated to Group A Shareholders will be injected into Hangfa, a company to be formed under the PRC Company Law which shall be owned as to 95.3745% by the Company and as to 4.6255% by the Employees. The assets allocated to Group B Shareholders will remain in Shum Yip Logistics, which shall be owned as to 53.7327% by Baoneng, as to 24.7742% by Jushen and as to 21.4931% by Yintong. The Company will cease to have any interest in Shum Yip Logistics upon completion of the Split Arrangement.

(c) Assets allocation

The assets of Shum Yip Logistics have been assessed and valued by independent qualified valuer before the aforesaid division and allocation were made. The net assets of Shum Yip Logistics have been valued at approximately RMB1,246,199,913 as at 31 May

LETTER FROM THE BOARD

2006 prior to the entering into of the Split Agreement. The valuation has been made based on the following PRC and generally accepted principles of the industry: (i) observing independent, objective and scientific working principles; (ii) observing the principle of subject change of proprietary interest (產權利益主體變動原則), to ascertaining the fair value of the asset to be valued as at the valuation date; and (iii) observing operational principles, such as the principle of treating the asset as a going concern (資產持續經營原則), principle of substitutability (替代性原則) and open market principle (公開市場原則).

The valuation amount and carrying value of the assets allocated to Group A Shareholders and Group B Shareholders are as follows:

Item	Carrying Value (in RMB)	Valuation Amount (in RMB)	Valuation amount of assets allocated to Group A Shareholders (in RMB)	Valuation amount of assets allocated to Group B Shareholders (in RMB)
Currencies	142,725,541	142,709,432	138,253,925 (Note 1)	4,455,507 (Note 1)
Short Term Investments	9,286,722	20,454,554	20,454,554	–
Accounts Receivables	4,692,503	4,692,503	2,186,737	2,505,765
Other Receivables	2,877,134	3,351,919	1,469,114	1,882,805
Long Term Investments	38,547,394	55,024,313	48,161,922	6,862,391
Land and Building	457,702,883	1,322,852,624	661,102,951 (Note 2)	661,749,673 (Note 2)
Other fixed assets	10,033,218	4,253,416	1,031,705	3,221,711
Others	6,076,316	3,998,601	518,351	3,480,251
Total Assets	671,941,711	1,557,337,362	873,179,259	684,158,103
Short Term Loan	254,000,000	254,000,000	137,000,000	117,000,000
Bills Payable	671,250	671,250	–	671,250
Accounts Payable	271,273	271,273	–	271,273
Other Payable	44,182,045	38,382,045	19,252,526 (Note 3)	19,129,519
Tax Payable	5,317,257	5,317,257	–	5,317,257
Other Payable and Accruals	12,745,296	12,495,624	5,861,968 (Note 4)	6,633,656
Total Liabilities	317,187,121	311,137,449	162,114,494	149,022,955
Total Net Assets	354,754,590	1,246,199,913	711,064,765	535,135,148

Notes:

- The amount of currencies allocated to each of Group A Shareholders and Group B Shareholders has been adjusted to include the allocation of the tender proceeds of RMB111 million amongst the Shum Yip Shareholders, by deducting Group A Shareholders' 53.4734% proportional equity interest in such tender proceeds from the amount of currencies allocated to Group B Shareholders, and credited such amount to the total amount of currencies allocated to Group A Shareholders as shown above.

LETTER FROM THE BOARD

2. The land and building of Shum Yip Logistics were divided and allocated, amongst other things, into two major property portfolios with equal net asset value, whereby the final allocation of which to Group A Shareholders and Group B Shareholders was a result of a draw undertaken by Shum Yip Shareholders.
3. Other payable of RMB19,252,526 allocated to Group A Shareholders include rental deposits and utilities payables.
4. Other payable and accruals of RMB5,861,968 allocated to Group A Shareholders include welfare fees payable and accruals.

Details of the assets and liabilities allocated to Group A Shareholders upon completion of the Split Arrangement are as follows:

Type of assets and liabilities	Details of assets and liabilities
Shares	Shares of Pang Gang Group Sichuan Changcheng Special Steel Company Limited (攀鋼集團四川長城特殊鋼股份有限公司) (“ Changcheng ”), An Hui Wenergy Company, Limited (安徽省皖能股份有限公司) (“ Wanneng ”) and Gintian Industry (Group) Co., Ltd. (金田實業(集團)股份有限公司) (“ Jintian ”) (<i>Note 1</i>)
Shareholding interest	Shareholding interest in Shum Yip Transportation Co. Ltd. (深業運輸有限公司) (<i>Note 2</i>)
Land	The 7th zone and houses and erections, Qingshui He Senniao Market (清水河三鳥市場), Qingshui He Duichang (清水河堆場) and erections thereon, west Qingshui He railway (No. 1 west) (清水河鐵路線), Qingshui He railway (No. 2) (清水河鐵路線)
Properties	Dormitory for single person (No. 2), 1st-5th floors of Zonghe Building (綜合樓) (No. 3), 50% interest of Shum Yip Logistics Building (深業物流大廈), whole block of 830, 831 and 832 and 1st-4th floors of 10th Warehouse
Others	Currencies, accounts receivables, fixed assets, long term investments, short term loans, other payables, welfare fees payable and prepayments

Notes:

1. Changcheng and Wanneng are companies incorporated in the PRC the shares of which are listed on the Shenzhen Stock Exchange. As at the Latest Practicable Date, Shum Yip Logistics was interested in 6,930,000 shares of Changcheng and 600,000 shares of Wanneng.

Jintian is a company incorporated in the PRC the shares of which have been delisted from the Shenzhen Stock Exchange. As at the Latest Practicable Date, Shum Yip Logistics was interested in 115,200 shares in Jintian.

Shum Yip Logistics has accounted for and Hangfa will account for their interests in Changcheng, Wanneng and Jintian as long term investment.

LETTER FROM THE BOARD

2. Shum Yip Transportation Co. Ltd. is a company incorporated in Hong Kong engaging in international trade, vehicle maintenance, cargo transportation via Shenzhen and Hong Kong and sale of petroleum. It will be wholly-owned by Group A Shareholders upon completion of the Split Arrangement. Shum Yip Logistics has accounted for and Hangfa will account for their interests in Shum Yip Transportation Co. Ltd. as their subsidiary and will consolidate the same into the Group's accounts.

Details of the assets and liabilities allocated to Group B Shareholders upon completion of the Split Arrangement are summarized as follows:–

Type of assets and liabilities	Details of assets and liabilities
Intangible assets	Goodwill (殼資源) of “Shum Yip Logistics Group” and certain assets of Shum Yip Logistics the ownership of which could not be ascertained
Land	Xunjiang Logistics Park (筍崗物流園) 5th Zone and the erections thereon, No. 818 Carpark land, Qingshui He Railway (清水河鐵路線) No. 1 east, Xunjiang Logistics Park (筍崗物流園) Zone railway and land, land of Phase 3 Jiabao Tian (嘉寶田), land of 822 warehouse and development of Lianyun Centre (聯運中心)
Properties	50% interest in Shum Yip Logistics Building (深業物流大廈), 824 Warehouse (basement, 1st and 4th floors), whole block of 827, 8 warehouses at Qingshui He (清水河), 2 rooms at Changle Garden (長樂花園), 2 flats at Shuyuan Street (書院街) and 5 rooms of Railway Company
Others	Currencies, accounts receivables, fixed assets, long term investments, short term loans, other payables, welfare fees payable and prepayments

(d) Information on Shum Yip Logistics

Shum Yip Logistics is a non wholly-owned subsidiary of the Company. It is principally engaged in logistics, transportation services, sale of warehouses and development of logistics park.

The audited consolidated net profits before taxation and extraordinary items of Shum Yip Logistics for the two years ended 31 December 2004 and 31 December 2005 prepared in accordance with Hong Kong GAAP, were HK\$182,127,000 and HK\$129,933,000 respectively. The audited consolidated net profits after taxation and extraordinary items of Shum Yip Logistics for the two years ended 31 December 2004 and 31 December 2005 prepared in accordance with Hong Kong GAAP were HK\$155,307,000 and HK\$109,327,000 respectively. The consolidated net asset value of Shum Yip Logistics as at 31 December 2005 was HK\$833,000,000. The principal source of revenue of Shum Yip Logistics was mainly rental income for the two years ended 31 December 2004 and 31 December 2005.

LETTER FROM THE BOARD

(e) Conditions

The Split Agreement will be effective upon the obtaining of relevant approval from the PRC authorities. Application for the relevant approval from the PRC authorities is still in progress.

3. FORMATION OF JOINT VENTURE

Pursuant to the Split Agreement, the Company and the Employees have agreed to set up a new company, Hangfa, for the purpose of the injection of the assets allocated to Group A Shareholders, which shall be owned as to 95.3745% by the Company and 4.6255% by the Employees. No consideration are payable and no commitments are made by the proposed shareholders of Hangfa.

Upon the formation of Hangfa, Hangfa will be principally engaged in logistics, transportation services, development and sale of warehouses and development of logistics park with regard to assets allocated to Group A Shareholders. Hangfa will become the Company's subsidiary upon its formation and will be consolidated in the Company's accounts.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE SPLIT AGREEMENT AND THE FORMATION OF HANGFA

According to the relevant provisions of the PRC Company Law, upon the expiration of the term of business of a company established in the PRC, if shareholders of that company cannot come up with any agreement as to the future operation of that entity, the assets of that company shall be dealt with in the manner as set out in the PRC Company Law which shall include the dissolution of the entity or the split (分立) of the entity. As the Shum Yip Shareholders cannot come up with any agreement as to the future operation of Shum Yip Logistics, the Shum Yip Shareholders resolved that it was in the best interest of each of them to enter into the Split Agreement to arrange for the split (分立) of Shum Yip Logistics.

The Board wishes to inform the Shareholders that the entering into the Split Agreement by all the Shum Yip Shareholders was necessary to arrange for the split. According to the PRC Company Law and other applicable PRC laws, the split does **not** involve any (i) transfer of equity interest; (ii) transfer of assets; or (iii) dissolution of entity. It is merely a **reallocation** of the assets of the original entity wherein some assets will remain in the original entity and some will be allocated to a new entity and no consideration is involved. In our current situation, the Company just ceases to have interest in Shum Yip Logistics without involving a transfer of interest in Shum Yip Logistics to other Shum Yip Shareholders. No transfer of equity interest or assets take place between any of the Shum Yip Shareholders. It merely involves the allocation of certain assets in Shum Yip Logistics to Hangfa, the new company to be formed by the Group A Shareholders.

LETTER FROM THE BOARD

The Directors, including the independent non-executive Directors, consider that the terms of the Split Agreement and the transactions contemplated thereunder, including but not limited to the Split Arrangement and the Hangfa Establishment are on normal commercial terms and the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

5. IMPACT ON THE GROUP

The Split Arrangement is in substance an apportionment of existing assets and liabilities of Shum Yip Logistics to all of its shareholders according to the proportion of their respective equity interests. Shum Yip Logistics will no longer be a subsidiary of the Company after the split, but the assets and liabilities that are allocated to the Company by physical injection into its newly incorporated company, Hangfa, will in turn be consolidated. In principle, there will be no (i) material net profit or loss impact and (ii) material impact on net asset value on the consolidated accounts of the Company after the split.

The Directors are of the view that as the minority interests of Shum Yip Logistics will no longer be recorded to arrive at the net profit attributable to Shareholders and the consolidated net asset value of the Group as presented in the annual/interim reports of the Group and the shareholdings of the Employees in Hangfa will be recorded as minority interests in the consolidated accounts of the Group, and the Split Arrangement has also taken into account the existing and future revenue (and the related liabilities and cost structure) of the assets to be divided and allocated in proportion to the two groups of shareholders of Shum Yip Logistics, hence, in principle, there would be no material net profit or loss impact, or material impact on the net asset value on the consolidated accounts of the Company upon completion of the Split Arrangement.

The total assets and total liabilities of the Group will be reduced by the portion of the total assets and total liabilities allocated to Group B shareholders of Shum Yip Logistics as shown in the Group's financial statements for the year ended 31 December 2005.

6. LISTING RULES REQUIREMENTS

Shum Yip Logistics is a non wholly-owned subsidiary of the Company. Group B Shareholders are substantial shareholders of Shum Yip Logistics. Each of Group B Shareholders is therefore a connected person of the Company. As such, the Split Arrangement constitutes connected transaction of the Company.

Mr. Liu, one of the Employees, is a director of Shum Yip Logistics. Mr. Liu is therefore a connected person of the Company. As such, the Hangfa Establishment constitutes connected transaction of the Company.

LETTER FROM THE BOARD

As the relevant percentage ratios as referred to in Chapter 14A of the Listing Rules in respect of the Split Arrangement and the Hangfa Establishment exceed 2.5%, the Split Arrangement and the Hangfa Establishment are subject to approval of independent Shareholders (other than those shareholders who have a material interest in the Transactions) pursuant to Rule 14A.17 of the Listing Rules by way of poll at the Second EGM. As far as the Directors are aware having made all reasonable enquiries, as at the Latest Practicable Date, none of Mr. Liu, Baoneng, Jushen and Yintong, their ultimate beneficial owners or the Employees and their respective associates are interested in any Shares and accordingly none of the Shareholders are required to abstain from voting at the Second EGM or any adjournment thereof. If any of Baoneng, Jushen, Yintong, their ultimate beneficial owners, Mr. Liu or the Employees and their respective associates are interested in the Shares as at the date of Second EGM, they will abstain from voting in respect of the resolution approving the Split Agreement and the transactions contemplated thereunder at the Second EGM.

7. GENERAL

The Group is principally engaged in property development, property investment and management, infrastructure investment, provision of transportation services, manufacture and sale of industrial and commercial products.

Baoneng is a company established in the PRC and is principally engaged in the provision of materials, import and export business, information consultation, property development and advertising business. It is beneficially owned by Shenzhen Municipal Huanan Investment Development Company (深圳市華南投資發展有限公司) (“**Huanan**”), Yao Zhen Hua and Yao Jian Hui. Yao Zhen Hua and Yao Jian Hui are directors of Shum Yip Logistics.

Jushen is a company established in the PRC and is principally engaged in the provision of materials, import and export business, development of calculator software, property development and information consultation. It is beneficially owned by Huanan and two other independent third parties to the Company.

Yintong is a company established in the PRC and is principally engaged in the provision of materials, development of high technology products and calculator software technology and import and export business. It is beneficially owned by Jushen and Huanan.

Huanan is a company established in the PRC and is principally engaged in the provision of materials, development of high technology product techniques, information consultation and import and export business. It is beneficially owned by Yao Zhen Hua and Yao Jian Hui. Yao Zhen Hua and Yao Jian Hui are directors of Shum Yip Logistics.

LETTER FROM THE BOARD

8. SECOND EGM

A notice convening the Second EGM is set out on pages 33 to 34 of this circular. At the Second EGM, relevant resolution will be proposed to approve the Split Agreement.

There is enclosed with this circular a proxy form for use at the Second EGM. Whether or not you intend to attend the Second EGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the Second EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Second EGM or any adjournment thereof should you so wish. In the event that a Shareholder having lodged a proxy form attends the Second EGM, his proxy form will be deemed to have been revoked.

According to Rules 13.39(4) and 14A.52 of the Listing Rules, any vote taken at the Second EGM shall be taken by way of poll. The Company shall announce the results of the poll in the manner prescribed under Rules 13.39(5) and 14A.52 of the Listing Rules.

9. PROCEDURES FOR DEMANDING A POLL

Pursuant to Article 73 of the Articles of Association of the Company, at any general meeting resolutions put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless a poll is (before or on the declaration of the results of the show of hands) demanded:–

- (i) by the chairman of the meeting;
- (ii) by at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting;
- (iii) by any member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (iv) by any member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares 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.

Pursuant to Article 78 of the Articles of Association of the Company, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorized under Section 115 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall have one vote and on a poll every member present in person or by proxy or by duly authorized representative shall have one vote for every fully paid Share of which he is the holder. On a poll a member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

10. RECOMMENDATION

Your attention is drawn to: (i) the letter from the Independent Board Committee set out in this circular which contains its recommendation to the independent Shareholders concerning the Transactions; and (ii) the letter from the Independent Financial Adviser set out in this circular which contains its recommendations to the Independent Board Committee and independent Shareholders in relation to the Transactions and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Split Arrangement and Hangfa Establishment contemplated under the Split Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board, including members of the Independent Board Committee, recommend that the independent Shareholders vote in favour of the ordinary resolution to be proposed at the Second EGM to approve the Split Agreement.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Shenzhen Investment Limited
Hu Aimin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular.



深圳控股有限公司

SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 604)

5 January 2007

To the independent Shareholders

Dear Sirs,

**CONNECTED TRANSACTIONS
SPLIT AGREEMENT
AND
FORMATION OF JOINT VENTURE**

We refer to the circular of the Company dated 5 January 2007 (the “Circular”), of which this letter forms a part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Split Arrangement and the Hangfa Establishment contemplated under the Split Agreement. CIMB-GK Securities (HK) Limited has been appointed as the independent financial adviser to advise us and the independent Shareholders on the fairness and reasonableness of the Split Arrangement and the Hangfa Establishment. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 17 to 25 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 appendix thereto.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Split Agreement and taking into account of the independent advice of CIMB-GK Securities (HK) Limited, we consider that the terms of the Split Agreement and the transactions contemplated therein are on normal commercial terms, fair and reasonable in so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the Second EGM to approve the Split Agreement and the transactions contemplated therein.

Yours faithfully,

Independent Board Committee

Wong Po Yan

Li Wai Keung

Wu Wai Chung, Michael

Independent Non-executive Directors of
Shenzhen Investment Limited

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the independent Shareholders from CIMB-GK Securities (HK) Limited prepared for the purpose of incorporation in the circular:



CIMB-GK Securities (HK) Limited

25/F., Central Tower
28 Queen's Road Central
Hong Kong

5 January 2007

*To the Independent Board Committee and
the Independent Shareholders of Shenzhen Investment Limited*

Dear Sirs,

CONNECTED TRANSACTIONS SPLIT AGREEMENT AND THE FORMATION OF A JOINT VENTURE

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, details of which are contained in a circular (the "Circular") to the Shareholders dated 5 January 2007, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

An independent board committee comprising Messrs Wong Po Yan, Li Wai Keung, Wu Wai Chung, Michael, being all of the independent non-executive Directors, has been formed to advise the independent Shareholders in relation to the Transactions. As Mr. Liu, a director of SYL and a connected person of SIL under the Listing Rules, is also one of SYL's Group A Shareholders whilst other SYL's Group B Shareholders are also connected persons of SIL by virtue of the fact that they are substantial shareholders of SYL. Accordingly, the Transactions constitute connected transaction of SIL under the Listing Rules.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of SIL. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the Directors' representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of SIL or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have considered the following principal factors and reasons:

Background and rationale

The SIL Group is principally engaged in logistics, transportation and consultation services, transportation services, infrastructure investment and information technology. SYL, a 51.0% owned subsidiary of SIL is principally engaged in logistics, transportation services, sale of warehouses and development of logistics park. The principal assets of SYL comprise land and buildings principally located in Shenzhen, the PRC whilst its revenues principally comprise rental income. SYL is owned as to 51.0% by SIL, 25.0% by Baoneng, 11.5266% by Jushen, 10.0% by Yintong, and 2.4734% by the Employees. The audited consolidated net profits before taxation and extraordinary items of SYL for the two years ended 31 December 2004 and 31 December 2005 prepared in accordance with Hong Kong GAAP were HK\$182,127,000 and HK\$129,933,000 respectively. The audited consolidated net profits after taxation and extraordinary items of SYL for the two years ended 31 December 2004 and 31 December 2005 respectively prepared in accordance with Hong Kong GAAP were HK\$155,307,000 and HK\$109,327,000 respectively. The audited consolidated net asset value of SYL as at 31 December 2005 was HK\$833,000,000.

The original expiry date of the business license of SYL was 20 August 2005. We note from the PRC legal opinion issued by the PRC lawyers for the Split Arrangement that pursuant to the relevant provisions of the PRC Company Law, upon the expiration of the term of the business of a company established in the PRC, if shareholders of that company cannot come up with any agreement as to the future operation of that entity, the assets of that company shall be dealt with in the manner as set out in the PRC Company Law which include the dissolution of the entity or the split of the entity. We note that various announcements were made by SIL since August 2005 relating to the various extensions of the term of business of SYL in order to have more time to consider possible reorganization of SYL's business and/or to restructure its shareholding structure. The latest extension of term of business of SYL was approved to last till 20 September 2007. As noted from the announcements made by SIL, shareholders of SYL cannot come up with any agreement amongst themselves as to the future operation of SYL, and consequently the shareholders of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

SYL have resolved in the shareholders' meeting of SYL held on 11 December 2006 that SYL be split in accordance with the PRC Company Law. We have discussed with the management of SIL and have been given to understand that the Split Arrangement is a preferred way of resolving the shareholders' deadlock at SYL as compared to dissolution of SYL in terms of lower costs, and lesser impact to the employees of SYL. The management of SYL advised that it is important to uphold the morale of SYL's employees and to ensure that these employees will continue to work for SYL or Hangfa (as the case may be), which we regard is in the interest of SIL and the Shareholders as a whole in view of the future performance of the assets to be injected into Hangfa.

As stated in the Letter from the Board, under the Split Arrangement, all the assets and liabilities of SYL will be divided and allocated to SYL's Group A Shareholders and SYL's Group B Shareholders in an open and fair manner, substantially in proportion to their shareholding interest in SYL. The Split Arrangement is in essence a reallocation of the assets and liabilities of SYL in accordance with the shareholders' equity interest therein with no transfer or consideration involved. We have also reviewed the PRC legal opinion which also confirmed the mechanics of the Split Arrangement.

We understand that as a result of the Split Arrangement, SYL's Group B Shareholders has won the internal tender and has been allocated the Tendered Assets (as defined below), which include the continued use of the goodwill and the name of 'SYL'. Hence, in order to hold the assets and liabilities of SYL allocated to SIL and the Employees, the Directors advised that as SIL is the controlling shareholder of SYL and the Employees are the minority shareholders as well as the past and existing employees of SYL, SIL has agreed to jointly set up with the Employees a new company, Hangfa, to be owned as to 95.3745% by SIL and 4.6255% by the Employees, which reflects their respective proportional equity interests in SYL. Given this, we consider that the joint formation of Hangfa with the Employees is reasonable. We further note that in respect of the formation of Hangfa, no consideration will be payable and no commitments will be made by the proposed shareholders of Hangfa. We understand from the Directors that Hangfa would principally be engaged in logistics, transportation services, sale of warehouses and development of logistics park with regard to the assets of SYL allocated to SYL's Group A Shareholders. Hangfa will become SIL's subsidiary upon its formation and will be consolidated in SIL's accounts.

Having taken into account the above, particularly the fact that the Split Arrangement is, in effect, an apportionment of the net assets (based on the Valuation (as defined below)) and of SYL to all of its shareholders in accordance with their proportional equity interests therein, and the Split Arrangement and the Hangfa Establishment will not have material impact on the consolidated financial statements of the SIL Group (as detailed in sub-section headed 'Financial effect' below), we consider that the Transactions are in the interests of SIL and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Split Agreement

Split Arrangement

Pursuant to the Split Agreement, the underlying principle of the Split Arrangement is to divide and allocate all the assets and the related liabilities of SYL to SYL's Group A Shareholders and SYL's Group B Shareholders openly and fairly in substantial proportion to their shareholding in SYL. Furthermore, we have been advised by the Directors and noted from the Split Agreement that the division and allocation of assets were principally based on the proportional interests of SYL's Group A Shareholders and SYL's Group B Shareholders in the net asset value, the existing and future revenue as well as the risks of the assets allocated to the two groups of shareholders of SYL. The proportion of net asset value and estimated annual revenue in the assets of SYL allocated to SYL's Group A Shareholders and SYL's Group B Shareholders are 57.0586% and 42.9414% and 56.2938% and 43.7062% respectively. SIL is one of SYL's Group A Shareholders, and we note that the proportion of both the net asset value and the estimated annual revenue in the assets of SYL allocated to SYL's Group A Shareholders are higher than their existing 53.4734% interest in SYL.

We note that in determining the market value of its assets for the Split Arrangement, SYL has appointed an independent qualified valuer in the PRC (the "PRC Valuer") to assess and value its assets, which amounted to approximately RMB1,246,199,913 (the "Valuation") as at 31 May 2006. We note from the Letter from the Board that the Valuation was made based on the PRC generally accepted asset valuation principles used in the industry including: (i) observing independent, objective and scientific working principles; (ii) observing the principle of subject change of proprietary interest, to ascertaining the fair value of the asset to be valued as at the valuation date; and (iii) observing operational principles, such as the principle of treating the asset as a going concern, principle of substitutability and open market principle. Each group of shareholders of SYL has been allocated assets and liabilities such that the net asset value and estimated annual revenue of the assets allocated to each group is in proportion to their respective equity interest in SYL. We have discussed with the PRC Valuer as regards their principles adopted in arriving at the Valuation and the estimated annual revenue attributable to the assets of SYL. Given that the major assets of SYL are property interests with the principal source of revenue being rental income, we have no reason to doubt the appropriateness of the principles adopted by the PRC Valuer as stated above for the purposes of the Split Arrangement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The valuation amount and carrying value of the assets and the annual revenue attributable to the assets of SYL allocated to SYL's Group A Shareholders and SYL's Group B Shareholders are as follows:

Net asset value:

			Valuation amount of assets allocated to SYL's Group A Shareholders (in RMB)	Valuation amount of assets allocated to SYL's to Group B Shareholders (in RMB)
Item	Carrying Value (in RMB)	Valuation Amount (in RMB)		
Currencies	142,725,541	142,709,432	138,253,925 (Note 1)	4,455,507 (Note 1)
Short Term Investments	9,286,722	20,454,554	20,454,554	–
Accounts Receivables	4,692,503	4,692,503	2,186,737	2,505,765
Other Receivables	2,877,134	3,351,919	1,469,114	1,882,805
Long Term Investments	38,547,394	55,024,313	48,161,922	6,862,391
Land and Building	457,702,883	1,322,852,624	661,102,951 (Note 2)	661,749,673 (Note 2)
Other fixed assets	10,033,218	4,253,416	1,031,705	3,221,711
Others	6,076,316	3,998,601	518,351	3,480,251
Total Assets	671,941,711	1,557,337,362	873,179,259	684,158,103
Short Term Loan	254,000,000	254,000,000	137,000,000	117,000,000
Bills Payable	671,250	671,250	–	671,250
Accounts Payable	271,273	271,273	–	271,273
Other Payable	44,182,045	38,382,045	19,252,526 (Note 3)	19,129,519
Tax Payable	5,317,257	5,317,257	–	5,317,257
Other Payable and Accruals	12,745,296	12,495,624	5,861,968 (Note 4)	6,633,656
Total Liabilities	317,187,121	311,137,449	162,114,494	149,022,955
Total Net Assets	354,754,590	1,246,199,913	711,064,765	535,135,148
% of revalued net assets allocated			57.0586%	42.9414%

Source: the Split Agreement

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The amount of currencies allocated to each of SYL's Group A Shareholders and SYL's Group B Shareholders has been adjusted to include the allocation of the tender proceeds of RMB111 million amongst SYL's shareholders (as detailed below), by deducting SYL's Group A Shareholders' 53.4734% proportional equity interest in such tender proceeds from the amount of currencies allocated to SYL's Group B Shareholders, and credited such amount to the total amount of currencies allocated to SYL's Group A Shareholders as shown above.
2. The land and building of SYL were divided and allocated, amongst other things, into two major property portfolios with equal net asset value, whereby the final allocation of which to SYL's Group A Shareholders and SYL's Group B Shareholders was a result of a draw undertaken by SYL's shareholders.
3. This amount of other payable includes rental deposits and utilities payables.
4. This amount of other payable and accruals include welfare fees payable and accruals.

Annual revenue:

	Annual revenue amount (in RMB)	SYL's Group A Shareholders (in RMB)	SYL's Group B Shareholders (in RMB)
Total estimated annual revenue			
(based on existing tenancies)	166,088,587	93,497,617	72,590,970
% of estimated annual revenue			
attributable to the assets allocated		56.2938%	43.7062%

Source: the Split Agreement

We have been advised by the Directors and noted from the Split Agreement that apart from the assets with valid ownership and titles, there are certain assets (mainly property interests) in SYL whereby the ownership of which cannot be ascertained, and the PRC Valuer could not attribute a fair market value to these assets. The carrying value of these assets was approximately RMB22.68 million. Given this, SYL has grouped these assets with uncertain ownership together with the goodwill of the name of SYL (together, the "Tendered Assets") and effected an internal tender between SYL's Group A Shareholders and SYL's Group B Shareholders. We consider that under this circumstance, the tender process is a fair method in determining the value of these assets as the two groups of shareholders of SYL are allowed to make bids for the potential value of the Tendered Assets based on their own assessment. After several rounds of bidding, SYL's Group B Shareholders made the highest bid of RMB111 million for the Tendered Assets, and as SYL's Group A Shareholders ceased to make any higher bid, all of the Tendered Assets were allocated to SYL's Group B

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders. Given this tender process whereby SIL has also participated therein, we consider that the consideration of RMB111 million bid for those SYL's assets with uncertain ownership is fair and reasonable so far as SIL and the Shareholders are concerned. As noted from the Split Agreement, SYL's Group A Shareholders have been allocated their share of 53.4734% proportional interest of such tender proceeds by deducting the relevant amount from the currencies allocated to SYL's Group B Shareholders and credited such amount to the total currencies allocated to SYL's Group A Shareholders as shown in the table above.

Details of the assets and liabilities allocated to each of SYL's Group A and SYL's Group B Shareholders upon completion of the Split Arrangement are as follows:

SYL's Group A Shareholders:

Type of assets and liabilities	Details of assets and liabilities
Shares	Shares of Pang Gang Group Sichuan Changcheng Special Steel Company Limited (攀鋼集團四川長城特殊鋼股份有限公司) ("Changcheng"), An Hui Wenergy Company Limited (安徽省皖能股份有限公司) ("Wanneng") and Gintian Industry (Group) Co. Ltd. (金田實業(集團)股份有限公司) ("Jintian") (Note 1)
Shareholding interest	Shareholding interest in Shum Yip Transportation Co. Ltd. (深業運輸有限公司) (Note 2)
Land	The 7th zone and houses and erections, Qingshui He Senniao Market (清水河三鳥市場), Qingshui He Duichang (清水河堆場) and erections thereon, west Qingshui He railway (No. 1 west) (清水河鐵路線), Qingshui He railway (No. 2) (清水河鐵路線)
Properties	Dormitory for single person (No. 2), 1-5th floors of Zonghe Building (綜合樓) (No. 3), 50% interest of Shum Yip Logistics Building (深業物流大廈), whole block of 830, 831 and 832 and 1st-4th floors of 10th Warehouse
Others	Currencies, accounts receivables, fixed assets, long term investments, short term loans, other payables, welfare fees payable and prepayments

Notes:

1. Changcheng and Wanneng are companies incorporated in the PRC the shares of which are listed on the Shenzhen Stock Exchange. As at the Latest Practicable Date, SYL was interested in 6,930,000 shares in Changcheng and 600,000 shares in Wanneng.

Jintian is a company incorporated in the PRC the shares of which have been delisted from the Shenzhen Stock Exchange. As at the Latest Practicable Date, SYL was interested in 115,200 shares in Jintian.

2. Shum Yip Transportation Co. Ltd. is a company incorporated in Hong Kong engaging in international trade, vehicle maintenance, cargo transportation via Shenzhen and Hong Kong and sale of petroleum. SYL has accounted for and Hangfa will account for their interests in Shum Yip Transportation Co. Ltd. as their subsidiary and will consolidate the same into the accounts of SIL Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

SYL's Group B Shareholders:

Type of assets and liabilities	Details of assets and liabilities
Intangible assets	Goodwill (殼資源) of SYL and certain assets of SYL the ownership of which could not be ascertained
Land	Xunjiang Logistics Park (筍崗物流園) 5th Zone and the erections thereon, No. 818 Carpark land, Qingshui He Railway (清水河鐵路線) No. 1 east, Xunjiang Logistics Park (筍崗物流園) Zone railway and land, land of Phase 3, Jiabao Tian (嘉寶田), land of 822 warehouse and development of Lianyun Centre (聯運中心)
Properties	50% interest in Shum Yip Logistics Building (深業物流大廈), 824 Warehouse (basement, 1st and 4th floors), whole block of 827, 8 warehouses at Qingshui He (清水河), 2 rooms at Changle Garden (長樂花園), 2 flats at Shuyuan Street (書院街) and 5 rooms of Railway Company
Others	Currencies, accounts receivables, fixed assets, long term investments, short term loans, other payables, welfare fees payable and prepayments

We also note from the Split Agreement that SYL's Group A Shareholders and SYL's Group B Shareholders will share the profit or loss of the results of SYL from 1 June 2006 (the date following the date of Valuation) to the date of completion of the Split Agreement in proportion to their respective equity interests in SYL.

Hangfa Establishment

As SYL's Group B Shareholders have won the internal tender and been allocated the Tendered Assets, which include the goodwill of the name of 'SYL', all the assets and liabilities allocated to SYL's Group A Shareholders will have to be injected into and held by a new company, Hangfa, which shall be owned as to 95.3745% by SIL and as to 4.6255% by the Employees, in proportion to their respective equity interests in SYL. Pursuant to the Split Agreement, the total investment and registered capital amount of Hangfa will be RMB85.96 million, which is equivalent to SYL's Group A Shareholders' 53.47% interests in the registered capital of SYL of RMB160.76 million. The assets allocated to SYL's Group B Shareholders will remain in SYL and SIL will cease to have any interest in SYL upon completion of the Split Arrangement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, in particular the fact that the percentage of equity interest of SYL's Group A Shareholders in the net asset value of the SYL's assets allocated to them exceeds their original proportional equity interests therein, we consider that the terms of the Split Arrangement and the Hangfa Establishment are on normal commercial terms and are fair and reasonable so far as SIL and the Shareholders as a whole are concerned.

Financial effect

The Split Arrangement is in substance an apportionment of existing assets and liabilities of SYL to all of its shareholders according to the proportion of their respective equity interests. Upon completion of the Split Agreement, SYL will no longer be a subsidiary of SIL. The assets and liabilities that are allocated to SYL's Group A Shareholders will be injected into Hangfa, which will be owned as to 95.3475% by SIL and will in turn be consolidated into the financial statements of the SIL Group. The Directors advised that as the minority interests of SYL will no longer be recorded to arrive at the net profit attributable to Shareholders and the consolidated net asset value of the SIL Group, the equity interest of the Employees in Hangfa will be recorded as minority interests in the consolidated accounts of the SIL Group, and the Split Arrangement has also taken into account the existing net asset value, the existing and future revenue (and the related liabilities and cost structure) of the assets to be divided and allocated in proportion to the two groups of shareholders of SYL, hence in principle, there would be no material net profit or loss impact or material impact on the net asset value on the consolidated accounts of SIL upon completion of the Split Arrangement. Having considered the above, and in particular the aforesaid adoption of the apportionment principle underlying the Split Arrangement, we concur with the views of the Directors that, in principle, there should be no material impact on the net profit or loss, or on the consolidated net asset value of the SIL Group upon completion of the Split Arrangement.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we consider that the terms of the Transactions are normal commercial terms and in the interests of SIL and the Shareholders as a whole and the terms thereof are fair and reasonable so far as SIL and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Second EGM to approve the Split Agreement.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Flavia Hung

Executive Vice President

Senior Vice President

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 there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors’ interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of issued share capital of the Company
HU Aimin	Beneficial owner	Personal interest	3,000,000	10,000,000	13,000,000	0.46
ZHANG Yijun	Beneficial owner	Personal interest	2,500,000	8,800,000	11,300,000	0.40
ZHAO Gesheng	Beneficial owner	Personal interest	–	4,000,000	4,000,000	0.14
XIAO Rihai	Beneficial owner	Personal interest	–	4,000,000	4,000,000	0.14
LIANG Kaiping	Beneficial owner	Personal interest	–	8,000,000	8,000,000	0.28

APPENDIX

GENERAL INFORMATION

Name of Director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of issued share capital of the Company
LIU Weijin	Beneficial owner	Personal interest	–	6,000,000	6,000,000	0.21
ZHANG Huaqiao	Beneficial owner	Personal interest	–	14,000,000	14,000,000	0.50
TAM Ping Lung	Beneficial owner	Personal interest	–	8,000,000	8,000,000	0.28
HU Zuoyuan	Beneficial owner	Personal interest	4,000,000	–	4,000,000	0.14
WU Jiesi	Beneficial owner	Personal interest	–	10,000,000	10,000,000	0.35
WONG Po Yan	Beneficial owner	Personal interest	3,400,000	–	3,400,000	0.12
LEE Yip Wah, Peter	Beneficial owner	Personal interest	3,400,000	–	3,400,000	0.12
WU Wai Chung, Michael	Beneficial owner	Personal interest	–	2,600,000	2,600,000	0.09
LI Wai Keung	Beneficial owner	Personal interest	5,300,000	1,400,000	6,700,000	0.24

Long positions in the underlying shares of the associated corporation – Road King Infrastructure Limited

Name of Director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of issued share capital of the Company
HU Aimin	Beneficial owner	Personal interest	–	250,000	250,000	0.04
ZHANG Yijun	Beneficial owner	Personal interest	–	250,000	250,000	0.04
ZHANG Huaqiao	Beneficial owner	Personal interest	300,000	700,000	1,000,000	0.15
LI Wai Keung	Beneficial owner	Personal interest	30,000	–	30,000	0.004

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and the amount of each of such person’s/corporate’s interest in such securities, together with particulars of any options in respect of such capital, were as follows:

Interest in shares of the Company

Name	Capacity	Number of shares	Percentage of
			issued share capital of the Company
Shum Yip Holdings Company Limited (Note)	Beneficial owner	1,401,123,966	49.66%

Note: Hu Aimin, Zhang Yijun, Zhao Gesheng and Hu Zuoyuan, being Directors are also directors of Shum Yip Holdings Company Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options in respect of such capital.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with any business of the Group.

4. MATERIAL INTEREST

As at the Latest Practicable Date, no Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which had since 31 December 2005 (being the date to which the latest published audited accounts of the Company were made up) 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.

5. SERVICE CONTRACTS

Each of the non-executive Directors and the independent non-executive Directors has been appointed for a fixed term of three years (subject to earlier termination if the corresponding Director is not re-elected upon retirement by rotation), commencing on 1 January 2005 (except for Mr. Hu Zuoyuan who was appointed on 23 December 2005 and for Dr. Wu Jiesi who was appointed on 11 May 2006) and thereafter eligible for re-election. Save for an annual remuneration of HK\$250,000 and share options as may be granted by the Company, none of the non-executive Directors and independent non-executive Directors is entitled to receive any other remuneration for holding their office as a non-executive Director and an independent non-executive Director (as the case may be).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered, or proposed to enter, into a service contract the Group which does not expire or is not determinable by any member of the Group within one year without compensation (other than statutory compensation).

6. LITIGATION

A statement of claim dated 27 August 2002 was issued by Fancheng Property Development Co., Limited (the “**Plaintiff**”) as plaintiff against Shum Yip Group (Shenzhen) Co., Ltd. (“**Shum Yip Shenzhen**”), a wholly-owned subsidiary of the Company as first defendant and Yaoheng Development Co., Ltd. as the second defendant in a civil claim at the court in PRC. To the best of the Directors’ knowledge, information and belief, Yaoheng Development Co., Ltd. is a third party independent of the Company and its connected persons.

The Plaintiff claimed against Shum Yip Shenzhen for, inter alia, damages suffered by the Plaintiff as a result of the breach by Shum Yip Shenzhen of the terms of a cooperation agreement entered into between the Plaintiff and Shum Yip Shenzhen dated 8 July 1991, which include (i) Shum Yip Shenzhen’s deliberate registration of the properties named Shenfa Garden under the name of Shum Yip Shenzhen and its refusal to give the properties to the Plaintiff and (ii) Shum Yip Shenzhen’s appropriation of the Plaintiff’s sales proceeds to compensate the individual owners and the construction party of Shenfa Garden and the keeping of the income in relation to certain car parks and the kindergarten situated within the area of Shenfa Garden. The Plaintiff claimed a total compensation of approximately RMB170 million against Shumyip Shenzhen. Shumyip Shenzhen lodged a defence and counterclaim for compensation of RMB1.3 million against the Plaintiff on 22 October 2002. This case was heard in court on 26 March 2003 and 5 November 2004, the arbitration process is complicated and time-consuming. As at the Latest Practicable Date, the parties were still waiting for the delivery of the arbitration award. The PRC lawyers of the Company are of the view that the outcome of the case is not determinable at this stage.

As advised by the Hong Kong lawyers of the Company, pursuant to a deed (the “**Deed**”) entered into on 12 February 1997 by Shum Yip Holdings Company Limited as covenantor in favour of the Company as covenantee in connection with the listing of the Company, the Company may be able to claim indemnity from Shum Yip Holdings Company Limited if the Plaintiff and/or the applicant are successful in their claims against Shum Yip Shenzhen on the ground that Shum Yip Shenzhen had materially breached the cooperation agreement, and the circumstances which gave rise to the above litigation was already in existence at the time of execution of the Deed. The Company will request Shum Yip Holdings Company Limited to indemnify itself for losses suffered if the Plaintiff and/or the applicant are successful in their claims against Shum Yip Shenzhen as aforesaid.

Save as disclosed, as at the Latest Practicable Date and so far as the Directors are aware, no member of the Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

8. EXPERT

- (a) The following is the qualification of the expert which has given opinion or advice which are contained in this circular:

Name	Qualifications
CIMB-GK 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 SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser was not interested beneficially or non-beneficially in any shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company or any of its subsidiaries.
- (c) As at the Latest Practicable Date, the Independent Financial Adviser was not interested, directly or indirectly, in any assets which had since 31 December 2005 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the texts of its letter and references to its name, in the form and context in which they respectively appear.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Messrs. Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 8 February 2007:

- (a) the Split Agreement;
- (b) the service contracts referred to in the paragraph headed “Service Contracts” in this appendix;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular; and
- (e) the written consent referred to in the paragraph headed “Expert” of this appendix.

NOTICE OF SECOND EGM



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 604)

NOTICE OF SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of Shenzhen Investment Limited (深圳控股有限公司) (the “**Company**”) will be held at Garden Room C&D, 2/F., Hotel Nikko, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on 9 February 2007 at 2:45 p.m. (or so soon as the extraordinary general meeting of the Company convened on the same day and place at 2:00 p.m. shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:—

ORDINARY RESOLUTION

“**THAT** the terms of the Split Agreement (as defined and summarized in a circular dated 5 January 2007 of the Company (the “**Circular**”), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated therein, including but not limited to the Split Arrangement and the Hangfa Establishment (as defined in the Circular), be and are hereby noted and approved, the entering into of the Split Agreement by the Company be and is hereby confirmed, approved and ratified and that the directors of the Company be and are hereby authorised on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, agreements, deeds, acts, matters and things as they may in their discretion consider necessary, desirable or appropriate for the purpose of or in connection with the implementation of the Split Agreement and the transactions contemplated therein.”

By Order of the Board
Shenzhen Investment Limited
Hu Aimin
Chairman

Hong Kong, 5 January 2007

Registered office:

8th Floor, New East Ocean Centre
9 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

NOTICE OF SECOND EGM

Notes:

- (1) A form of proxy for use at the meeting is enclosed.
- (2) A Shareholder who is entitled to attend and vote at the meeting shall be entitled to appoint proxies to attend, and on a poll, vote for him. Votes may be given either personally (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy in accordance with the articles of association of the Company. A proxy need not be a Shareholder of the Company but must attend this meeting in person to represent you. A Shareholder may appoint more than one proxy to attend on the same occasion.
- (3) Where there are joint registered holders of any share(s), any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share(s) as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of shareholders in respect of such share(s) shall alone be entitled to vote in respect thereof.
- (4) To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is executed or a notarially certified copy of that power or authority, must be delivered to the registered office of the Company at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Second EGM or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) **Since the transactions contemplated under the Split Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules, the resolution proposed at the meeting will be voted by independent shareholders of the Company by way of poll.**

As at the date of this notice, the board of directors of the Company comprises eight executive Directors, namely, Mr. Hu Aimin, Mr. Zhang Yijun, Mr. Zhao Gesheng, Mr. Xiao Rihai, Mr. Liang Kaiping, Mr. Liu Weijin, Mr. Zhang Huaqiao and Mr. Tam Ping Lung and three non-executive Directors namely Mr. Lee Yip Wah, Peter, Mr. Hu Zuoyuan and Dr. Wu Jiesi and three independent non-executive Directors namely Mr. Wong Po Yan, Mr. Wu Wai Chung, Michael and Mr. Li Wai Keung.