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**越 秀 投 資 有 限 公 司**

**GUANGZHOU INVESTMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 123)**

**ANNOUNCEMENT**

**DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**Financial advisor to Guangzhou Investment Company Limited**

**Piper Jaffray**

**THE TRANSFER**

Pursuant to the Transfer Agreement, the Company has conditionally agreed to procure the transfer and assignment to YXE and/or its nominee(s) of all its rights, title, interest and benefit of and in (i) the Goldkemp Share, and (ii) the Goldkemp Shareholder Loan in exchange for the transfer to the Company and/or its nominee(s) of all YXE's rights, title, interest and benefit of and in the Techcon Sale Shares and the payment by YXE of HK\$250 million in cash. Goldkemp is beneficially interested in approximately 52.55% in Guangzhou Paper and is the investment holding company of the Company's newsprint business. The asset of Techcon is primarily the Hotel which is currently in operation in Hong Kong.

## **GENERAL**

As at the date of this announcement, YXE is beneficially interested in approximately 46.79% and 100% of the issued share capital of the Company and Techcon respectively. As YXE is the controlling shareholder and thus a connected person (as defined under the Listing Rules) of the Company, the Transfer constitutes a connected transaction of the Company and is subject to the approval of the independent shareholders of the Company by poll at the EGM under the Listing Rules. YXE and its associates will abstain from voting at the EGM in respect of the proposed resolution(s) to approve the Transfer and the transactions contemplated thereunder. As the applicable percentage ratios to the Transfer under the Listing Rules are more than 5% but less than 25%, the Transfer also constitutes a discloseable transaction of the Company under the Listing Rules.

The Company will dispatch to its shareholders a circular containing, among others, (i) further information on the Transfer; (ii) valuation report of Goldkemp's attributable interests in Guangzhou Paper; (iii) valuation report of the Hotel; (iv) the advice from the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company in relation to the Transfer; (v) the recommendation from the Independent Board Committee to the independent shareholders of the Company in relation to the Transfer; and (vi) a notice of EGM, as soon as practicable in accordance with the Listing Rules.

## **THE TRANSFER AGREEMENT DATED 3 NOVEMBER 2008**

### **1. Parties to the Transfer Agreement**

The Company and YXE

### **2. The assets to be transferred**

Pursuant to the Transfer Agreement, the Company has conditionally agreed to procure the transfer and assignment to YXE and/or its nominee(s) of all its rights, title, interest and benefit of and in (i) the Goldkemp Share, and (ii) the Goldkemp Shareholder Loan in exchange for the transfer to the Company and/or its nominee(s) of all YXE's rights, title, interest and benefit of and in the Techcon Sale Shares and the payment by YXE of HK\$250 million in cash. Goldkemp, through Pacific Max, is beneficially interested in approximately 52.55% in Guangzhou Paper and is the investment holding company of the Company's newsprint business. Goldkemp's shares in and shareholder's loans to Pacific Max are currently subject to the Pacific Max Share Mortgage and the Pacific Max Assignment of Loans respectively, both as security for certain loan

facility of the Company, which are required to be released by the relevant lenders thereof on or before Completion (see paragraphs (e) and (f) of the paragraph headed “Conditions” below). The asset of Techcon is primarily the Hotel which is currently in operation in Hong Kong and managed by the current management team of Techcon and Yue Xiu International Development Limited, a wholly-owned subsidiary of YXE, under the Hotel Management Agreement. The Hotel is currently subject to the Hotel Security to secure certain loan facility of YXE. The Hotel Management Agreement and the Hotel Security are required to be terminated and released by Yue Xiu International Development Limited and the lenders thereof respectively on or before Completion (see paragraphs (d) and (g) of the paragraph headed “Conditions” below).

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

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

### **3. Conditions**

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

- a) the Company being satisfied with its due diligence review and investigation in respect of Techcon and its businesses and assets including but not limited to the Hotel and the business now carried on at the Hotel;
- b) the representations, warranties and undertakings given by YXE under the Transfer Agreement being true and accurate in all material respects as of Completion Date;

- c) the representations, warranties and undertakings given by the Company under the Transfer Agreement being true and accurate in all material respects as of Completion Date;
- d) the termination of the Hotel Management Agreement and the unconditional release of Techcon from the obligations and liabilities thereunder by the relevant party or parties;
- e) the unconditional release and termination of the Pacific Max Share Mortgage;
- f) the unconditional release and termination of the Pacific Max Assignment of Loans;
- g) the unconditional release and termination of the Hotel Security;
- h) the Company having obtained all necessary approvals or consents which may be required under any indenture, mortgage, charge, trust, lease, agreement, instrument or obligations to which the Company is a party or by which any member of the Group or any of their respective assets is bound, including but without limitation, approvals or consents from its bank creditors to the disposal of the Goldkemp Share, assignment of the Goldkemp Shareholder Loan and its acquisition of the Techcon Sale Shares pursuant to the Transfer Agreement;
- i) YXE having obtained all necessary approvals or consents which may be required under any indenture, mortgage, charge, trust, lease, agreement, instrument or obligation to which YXE is a party or by which any member of the YXE Group or any of their respective assets is bound, including but without limitation, approvals or consents from its bank creditors to its disposal of the Techcon Sale Shares and its acquisition of the Goldkemp Share and assignment of the Goldkemp Shareholder Loan pursuant to the Transfer Agreement;
- j) the shareholders of the Company (other than those (if any) who are required to abstain from voting under the Listing Rules) having passed all necessary resolution(s) at the EGM approving the Transfer, the Transfer Agreement and the transactions contemplated thereunder;
- k) the Stock Exchange and the Singapore Exchange Securities Trading Limited not having notified the Company that the listing of its securities will or may be suspended as a result of Completion;

- l) all other approvals or consents necessary or appropriate for or in connection with the transactions contemplated under the Transfer Agreement having been obtained; and
- m) the Techcon Shareholder Loan Capitalisation and the issue and allotment of the Techcon Capitalisation Shares having completed.

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

#### **4. Completion**

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

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

#### **INFORMATION ON THE COMPANY**

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

#### **INFORMATION ON GOLDKEMP, GUANGZHOU PAPER AND YUE WEI PAPER**

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

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

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

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

#### **INFORMATION ON YXE AND TECHCON**

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

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

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

	<b>For the year ended</b>		<b>For the nine months ended</b>
	<b>31 December 2006</b>	<b>2007</b>	<b>30 September 2008</b>
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
(Loss)/Profit before taxation and extraordinary items	(96,888)	(30,953)	5,981
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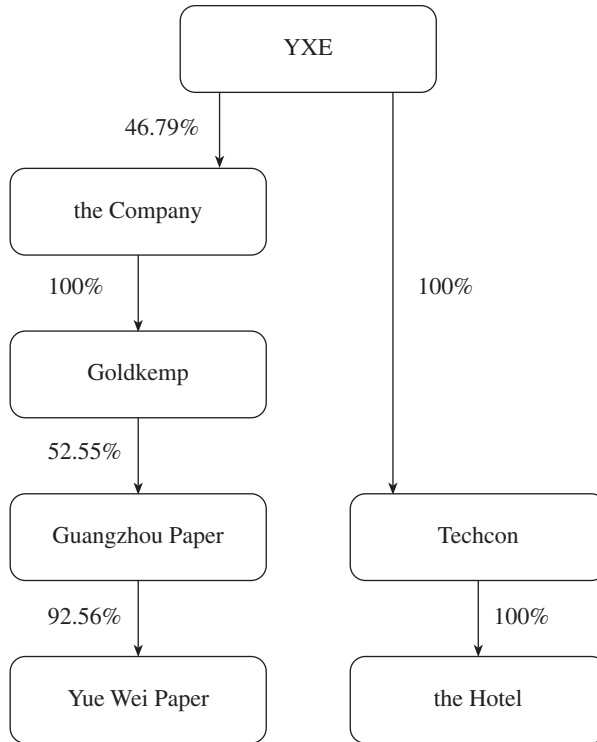
The above audited loss before and after taxation and extraordinary items of Techcon for each of the two years ended 31 December 2007 was arrived at after the deduction of interest expense incurred in respect of loan from the YXE Group of approximately HK\$90 million and HK\$30 million respectively. In addition, management fee in respect of the Hotel Management Agreement of approximately HK\$6 million and HK\$9 million was incurred for each of the two years ended 31 December 2007 respectively. The hotel management fee and shareholder loan interest for the year 2008 have been waived by the YXE Group. As a result of the Techcon Shareholder Loan Capitalisation and the termination of the Hotel Management Agreement before Completion, the aforesaid expenses will no longer be incurred by Techcon after Completion.

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

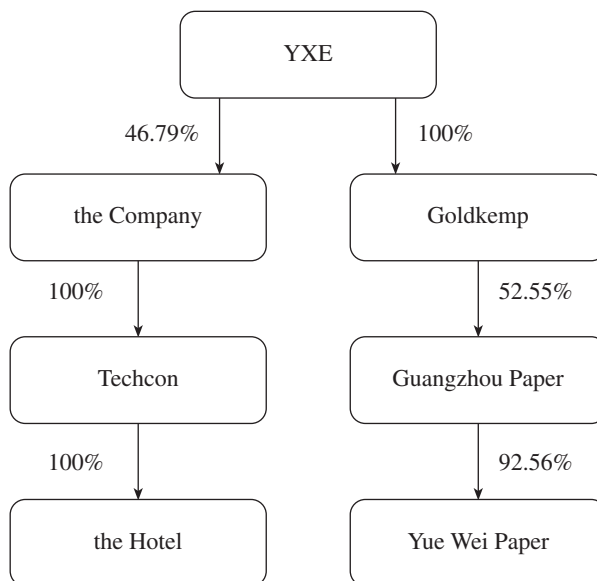
## GROUP STRUCTURE

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

Immediately prior to Completion:



Immediately after Completion:





## **REASONS FOR AND BENEFITS OF TRANSFER**

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

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

Whilst the Company considers that the newsprint business will provide stable profitability in the long term, however, the newsprint business has recently increased its capacity and requires time to build up its utilisation to fulfil this potential, which, under the recent market and economic developments, is subject to certain degree of risk. Based on the unaudited consolidated management accounts of the Goldkemp Group as at 30 June 2008, the Goldkemp Group incurred a total debt of approximately HK\$4,550 million. Accordingly, the completion of the Transfer will improve the gearing ratio of the Group. In addition, the completion of the Transfer will also enable the Group to realise cash proceeds of HK\$250 million for additional working capital for the ongoing development of the Group's core property development and investment business. Completion will also result in an estimated net gain of approximately HK\$70 million to the Group. The estimated net gain on the Transfer is calculated based on the difference between the fair value of the consideration as at 30 September 2008 and the unaudited consolidated net asset value of the Goldkemp Group as at 30 June 2008 after taking into account the release of the exchange reserve. The final and actual net gain/loss on the Transfer may change depending on the fair value of the consideration and the consolidated net asset value of the Goldkemp Group at Completion Date. All the transaction costs in relation to the Transfer (the estimated total costs being approximately HK\$4 million) shall be borne by the Company and YXE in equal shares, no matter whether or not the Transfer is completed.

Having considered that the Transfer (a) is in line with the Group's development direction; (b) will improve the Group's gearing ratio; (c) will generate cash proceeds to the Group; and (d) is expected to result in a net gain to the Group, the Directors

(including the independent non-executive Directors who will further render their opinion upon the receipt of the advice of the independent financial adviser) consider that the terms of the Transfer are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **GENERAL**

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The Company will dispatch to its shareholders a circular containing, among others, (i) further information on the Transfer; (ii) valuation report of Goldkemp's attributable interests in Guangzhou Paper; (iii) valuation report of the Hotel; (iv) the advice from the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company in relation to the Transfer; (v) the recommendation from the Independent Board Committee to the independent shareholders of the Company in relation to the Transfer; and (vi) a notice of EGM, as soon as practicable in accordance with the Listing Rules.

## DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

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

“Guangzhou Paper”	Guangzhou Paper Co., Ltd. (廣州造紙股份有限公司), a joint stock company established in the PRC, the equity interest of which is held as to approximately 52.55% indirectly by the Company, approximately 47.19% by Guangzhou Paper Holdings Limited (廣州造紙集團有限公司) and approximately 0.26% by Guangzhou Maywide Technology Co., Ltd. (廣州市誠毅科技軟體開發有限公司), which is independent of and not connected with any of the directors, chief executives and substantial shareholders of the Company, or any of their respective associates
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hotel”	The South China Hotel (粵華酒店), a hotel property located at 67-75 Java Road, North Point, Hong Kong and wholly owned by YXE through Techcon
“Hotel Management Agreement”	the agreement dated 5 January 2007 made between Techcon and Yue Xiu International Development Limited whereby the operation and management of the Hotel was subcontracted by Techcon to the latter for a term of 3 years from 1 January 2007 to 31 December 2009
“Hotel Security”	the mortgage over the Hotel dated 7 May 2008 together with the assignment of insurances dated 7 May 2008 in respect of the Hotel relating to certain loan facility of YXE
“Independent Board Committee”	an independent board committee, comprising Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose, all being the independent non-executive Directors, to advise the independent shareholders of the Company in respect of the Transfer Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Pacific Max”	Pacific Max Industrial Limited, a wholly owned subsidiary of Goldkemp
“Pacific Max Assignment of Loans”	the assignment of loans dated 28 December 2006 for the assignment of all shareholder’s loans owed to Goldkemp by Pacific Max as security for certain loan facility of the Company
“Pacific Max Share Mortgage”	the share mortgage over the entire issued share capital of Pacific Max dated 28 December 2006 executed by Goldkemp relating to certain loan facility of the Company
“PRC”	People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Techcon”	Techcon Investment Limited (迪康投資有限公司), a company incorporated in Hong Kong with limited liability and is indirectly wholly owned by YXE
“Techcon Capitalisation Shares”	998 Techcon Shares to be allotted and issued to YXE and/or its subsidiaries pursuant to the Techcon Shareholder Loan Capitalisation
“Techcon Sale Share(s)”	all Techcon Shares that are in issue as at Completion, including the Techcon Capitalisation Shares to be issued and allotted
“Techcon Shareholder Loan”	all the interest bearing loans (including interests accrued thereon) which are due and owing (whether due for payment or not) by Techcon to YXE and/or its subsidiaries immediately before the implementation of the Techcon Shareholder Loan Capitalisation
“Techcon Shareholder Loan Capitalisation”	the subscription of the Techcon Capitalisation Shares by YXE and/or its subsidiaries at an aggregate price equivalent to the amount of the Techcon Shareholder Loan to be paid and satisfied by capitalising the entire Techcon Shareholder Loan
“Techcon Share(s)”	ordinary share(s) of par value HK\$1.00 each in the issued share capital of Techcon

“Transfer”	the transfer to the Company and/or its nominee(s) by YXE of its entire rights, title, interests in, and benefit of, Techcon Sale Shares and the payment of HK\$250 million by YXE in exchange for all the Company’s rights, title, interests in, and benefit of, the Goldkemp Share and the Goldkemp Shareholder Loan to YXE and/or its nominee(s)
“Transfer Agreement”	the agreement in relation to the Transfer dated 3 November 2008 entered into between the Company and YXE
“Valuer”	Greater China Appraisal Limited, an independent valuer
“Yue Wei Paper”	Guangzhou Yue Wei Paper Limited (廣州越威紙業有限公司), a company incorporated in the PRC and is beneficially owned as to approximately 92.56% by Guangzhou Paper
“YXE”	Yue Xiu Enterprises (Holdings) Limited, a company incorporated in Hong Kong and, as at the date of this announcement, is beneficially interested in approximately 46.79% and 100% interests in the Company and Techcon respectively
“YXE Group”	YXE and its subsidiaries
“%”	per cent.

*The English translation of the Chinese name of the relevant parties is for information purposes only, and should not be regarded as the official English translation of such name.*

By order of the Board  
**Guangzhou Investment Company Limited**  
**Lu Zhifeng**  
*Chairman*

Hong Kong, 3 November 2008

*As at the date of this announcement, the Board comprises eight executive Directors, namely Mr. Lu Zhifeng, Mr. Zhang Zhaoxing, Mr. Liang Yi, Mr. Tang Shouchun, Mr. Wang Hongtao, Ms. Zhou Jin, Mr. Li Xinmin and Mr. He Zili and three independent non-executive Directors, namely Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose.*