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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)

**CONNECTED TRANSACTION
DISPOSAL OF ASSETS**

The Board is pleased to announce that on 27 December, 2007, GZ Paper entered into the Asset Transfer Agreement with GZ Paper Holdings pursuant to which GZ Paper agreed to sell and transfer the Assets to GZ Paper Holdings.

GZ Paper is a joint stock company in which the Company has approximately 52.55% indirect equity interest and GZ Paper Holdings has approximately 47.19% equity interest. GZ Paper Holdings, being a substantial shareholder of GZ Paper, is a connected person of the Company under the Listing Rules. Accordingly, the Transaction constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios of the Asset Transfer Agreement exceed 0.1% but are less than 2.5%, the Asset Transfer Agreement is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

The Board, including the Independent Non-executive Directors, considers that the terms of the Asset Transfer Agreement have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

Details of the Transaction will be included in the next annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

BACKGROUND

On 27 December, 2007, GZ Paper entered into the Asset Transfer Agreement with GZ Paper Holdings pursuant to which GZ Paper agreed to sell and transfer the Assets to GZ Paper Holdings.

THE ASSET TRANSFER AGREEMENT

Date:

27 December, 2007

Parties:

Transferor: GZ Paper

Transferee: GZ Paper Holdings

Non-core assets to be disposed of:

Under the Asset Transfer Agreement, GZ Paper shall sell and transfer to GZ Paper Holdings certain non-core assets and workshops relating to manufacture of mechanical pulping, CTMP pulping, wastewater treatment and mechanical production. The Assets are fixed and non-revenue-generating assets of the Group and the Transaction does not constitute a disposal of revenue-generating assets or business of the Company.

Upon completion of the Transaction which shall take place within 30 days upon signing of the Asset Transfer Agreement, the respective labour contracts between GZ Paper and the employees related to the Assets will be terminated while new labour contracts will be entered between those employees and GZ Paper Holdings in accordance with the relevant PRC laws and regulations.

Consideration:

A cash consideration of approximately RMB328,618,000 (approximately HK\$348,444,000) shall be paid by GZ Paper Holdings to GZ Paper for the transfer of the Assets pursuant to the Asset Transfer Agreement. The consideration was determined with reference to the appraised value of the Assets evaluated by 廣東南方資信評估有限公司 (Guangdong Nanfang Asset Valuation Company Limited), a PRC qualified valuer which was jointly appointed by GZ Paper and GZ Paper Holdings and, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is not a connected person of the Company and is independent of the Company and connected persons of the Company. The valuation

was carried out by 廣東南方資信評估有限公司 (Guangdong Nanfang Asset Valuation Limited) mainly by way of cost and revenue method (成本及收益法) (i.e. the valuation method based on the historical cost or the prevailing market price of the Assets). As at 31 October, 2007, the appraised value of the Assets was approximately RMB328,618,000 (approximately HK\$348,444,000) whereas the book value of the Assets, as at 31 October 2007, was approximately RMB225,299,900 (approximately HK\$238,892,906) as shown in the management accounts of the Group prepared in accordance with Hong Kong Financial Reporting Standards. Upon completion of the Asset Transfer Agreement, a gain of approximately RMB98,818,100 (approximately HK\$104,780,000) is expected to accrue to GZ Paper based on the difference between the consideration and the said book value of the Assets (taking into account of tax and expenses to be incurred in relation to the Transaction of approximately RMB4,500,000 (approximately HK\$4,772,000)). The Directors believe that the consideration for the Transaction is fair and reasonable.

REASONS AND BENEFITS OF THE TRANSACTION

Presently the Group is principally engaged in (i) property development, management and investment, (ii) operation of toll roads and bridges, and (iii) manufacture and sale of newsprint (through GZ Paper).

The Board considers that the Asset Transfer Agreement will improve the asset structure of GZ Paper by focusing more resources on its principal business, improve cost-effectiveness and thus increase its competitiveness. Further, it will improve the debt-equity ratio of GZ Paper and thus its financing ability for further development in the future. Approximately RMB50,000,000 (approximately HK\$53,017,000) of the net proceeds of the Transaction will be used for repayment of bank borrowings and the remaining balance of the net proceeds will be used for working capital purposes. The Assets are non-core assets of GZ Paper. Among the Assets, those relating to mechanical pulping are spare assets not used by the Group, those relating to CTMP pulping and wastewater treatment are currently used by the Group and those relating to mechanical production are partially used by the Group. It is contemplated that GZ Paper Holdings will lease back the Assets relating to CTMP pulping and wastewater treatment to GZ Paper for conducting its business operation. GZ Paper will not lease the Assets relating to mechanical production from GZ Paper Holdings since the Group will use its internal resources to support the operation of GZ Paper relating to mechanical production. In case of large-scale mechanical production, the Group and/or GZ Paper will consider outsourcing the same in order to increase cost-effectiveness. Therefore, the disposal of the Assets and non-lease back of the Assets relating to mechanical pulping and mechanical production will not have any material impact on the operation of the Group and/or GZ Paper. The lease back of some of the Assets relating to CTMP pulping and wastewater treatment to GZ Paper by GZ Paper

Holdings will constitute continuing connected transactions of the Company. GZ Paper is in the course of negotiating the terms thereof with GZ Paper Holdings and when appropriate, the Company will comply with the relevant requirements in relation to continuing connected transactions under the Listing Rules.

The Board, including the Independent Non-executive Directors, considers that the terms of the Asset Transfer Agreement have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTION

GZ Paper is a joint stock company in which the Company has approximately 52.55% indirect equity interest and GZ Paper Holdings has approximately 47.19% equity interest. GZ Paper is principally engaged in the newsprint manufacturing business in the PRC. GZ Paper Holdings, being a substantial shareholder of GZ Paper, is a connected person of the Company. GZ Paper Holdings is principally engaged in the business of coated board manufacturing and managing electricity plant in the PRC.

The Transaction constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios of the Asset Transfer Agreement exceed 0.1% but are less than 2.5%, the Asset Transfer Agreement is only subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

Details of the Transaction will be included in the next annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

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

“Assets”	certain non-core assets and workshops relating to manufacture of mechanical pulping (機漿), CTMP pulping (CTMP漿), wastewater treatment(污水處理) and mechanical production (機制)
“Asset Transfer Agreement”	the asset transfer agreement dated 27 December, 2007 entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper agreed to sell and transfer the Assets to GZ Paper Holdings for a consideration of approximately RMB328,618,000 (approximately HK\$348,444,000)

“Board”	the board of Directors
“Company”	Guangzhou Investment Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange and the stock exchange operated by Singapore Exchange Securities Trading Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“GZ 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 GZ Paper Holdings and approximately 0.26% by 廣州市誠毅科技軟件開發有限公司, 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
“GZ Paper Holdings”	Guangzhou Paper Holdings Limited (廣州造紙集團有限公司), a limited liability company established under the laws of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Non-executive Directors”	independent non-executive Directors, comprising Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose, as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	shall have the meaning set out in Rule 14.04(9) of the Listing Rules
“PRC”	People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Asset Transfer Agreement

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

For illustrative purposes of this announcement, RMB 94.31 = HK\$100 save as otherwise stated.

By order of the Board of
Guangzhou Investment Company Limited
Ou Bingchang
Chairman

Hong Kong, 28 December, 2007

As at the date of this announcement, the members of the Board comprise Mr. Ou Bingchang, Mr. Liang Yi, Mr. Tang Shouchun, Mr. Wang Hongtao, Mr. Li Xinmin, Mr. He Zili and Ms. Zhou Jin (Executive Directors); Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose (Independent Non-executive Directors).