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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)**

**CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser**



**YU MING INVESTMENT MANAGEMENT LIMITED**  
禹銘投資管理有限公司

The Board is pleased to announce that on 24 January 2008, GZ Paper entered into the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement with GZ Paper Holdings pursuant to which GZ Paper Holdings agreed to lease the CTMP Facilities and the Wastewater Treatment Facilities to GZ Paper. GZ Paper is a joint stock company in the PRC 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. The transactions under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement constitute continuing connected transactions under the Listing Rules.

As disclosed in the announcements of the Company dated 17 October 2002 and 28 February 2005 and the circulars to the Shareholders dated 9 November 2002 and 21 March 2005, on 17 October 2002, GZ Paper entered into the Original Lease Contract and the Utilities Supply Contract with GZ Paper Holdings pursuant to which GZ Paper has leased from GZ Paper Holdings the Mill Premises for a term of 20 years, and GZ Paper Holdings has supplied electricity, water and steam on 24-hour continual basis to the paper mill operated by GZ Paper on the Mill Premises for a term of 20 years.

The Shareholders approved the transactions under the Original Lease Contract and the Utilities Supply Contract in an extraordinary general meeting held on 25 November 2002 for the annual caps for 3 years ended 31 December 2004. The Company obtained written approval under Rule 14A.43 of the Listing Rules from a closely allied group of Shareholders, namely Yue Xiu Enterprises (Holdings) Limited and its associates, collectively holding more than 50% in nominal value of the then issued share capital of the Company giving the right to attend and vote at the general meeting of the Company to approve continuation of the transactions under the Original Lease Contract and the Utilities Supply Contract for the annual caps for 3 years ended 31 December 2007, and the Stock Exchange granted the Company a waiver under Rule 14A.43 of the Listing Rules for written independent Shareholders' approval in lieu of holding a general meeting in respect of such transactions on 7 April 2005. On 24 January 2008, GZ Paper entered into the Supplemental Lease Contract with GZ Paper Holdings in relation to certain amendments to the Original Lease Contract. The transactions under the Lease Contract and the Utilities Supply Contract for the annual caps for 3 years ended 31 December 2010 constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Transactions on an annual basis, when aggregated under Rule 14A.25 of the Listing Rules, exceed 2.5%, the Transactions are subject to the reporting and announcement requirements as well as the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

A circular containing, inter alia, further information in respect of the Transactions as required under the Listing Rules (including a letter from the Independent Board Committee and its recommendations to the Shareholders and an opinion letter of Yu Ming as the independent financial adviser of the Company) and a notice of Shareholders convening an EGM to approve the Transactions will be issued by the Company and despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. No Shareholder is required to abstain from voting in respect of the Transactions.

## **BACKGROUND**

Reference is made to the announcement dated 28 December 2007. 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 which was completed on 29 December 2007.

On 24 January 2008, GZ Paper entered into the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement with GZ Paper Holdings pursuant to which GZ Paper Holdings agreed to lease the CTMP Facilities and the Wastewater Treatment Facilities to GZ Paper. GZ Paper is a joint stock company in the PRC 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 transactions under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement constitute continuing connected transactions under the Listing Rules.

Reference is also made to the announcements of the Company dated 17 October 2002 and 28 February 2005 and the circulars to the Shareholders dated 9 November 2002 and 21 March 2005 in relation to certain continuing connected transactions under the Original Lease Contract and the Utilities Supply Contract between GZ Paper Holdings and GZ Paper.

On 17 October 2002, GZ Paper entered into the Original Lease Contract and the Utilities Supply Contract with GZ Paper Holdings pursuant to which GZ Paper has leased from GZ Paper Holdings the Mill Premises for a term of 20 years, and GZ Paper Holdings has supplied electricity, water and steam on 24-hour continual basis to the paper mill operated by GZ Paper on the Mill Premises for a term of 20 years.

At the time the Original Lease Contract and the Utilities Supply Contract were entered into, GZ Paper was a Sino-foreign equity joint venture in which the Company had 51% indirect equity interest and GZ Paper Holdings had 49% equity interest. The transactions under the Original Lease Contract and the Utilities Supply Contract therefore constituted continuing connected transactions of the Company under the Listing Rules. The Shareholders approved the transactions under the Original Lease Contract and the Utilities Supply Contract in an extraordinary general meeting held on 25 November 2002 and the annual caps for 3 years ended 31 December 2004. The Company obtained written approval under Rule 14A.43 of the Listing Rules from a closely allied group of Shareholders, namely Yue Xiu Enterprises (Holdings) Limited and its associates, collectively holding more than 50% in nominal value of the then issued share capital of the Company giving the right to attend and vote at the general meeting of the Company to approve continuation of the transactions under the Original Lease Contract and the Utilities Supply Contract for the annual caps for 3 years ended 31 December 2007, and the Stock Exchange granted the Company a waiver under Rule 14A.43 of the Listing Rules for written independent Shareholders' approval in lieu of holding a general meeting in respect of such transactions on 7 April 2005.

On 24 January 2008, GZ Paper entered into the Supplemental Lease Contract with GZ Paper Holdings in relation to certain amendments to the Original Lease Contract. The transactions under the Lease Contract and the Utilities Supply Contract for the annual caps for 3 years ended 31 December 2010 constitute continuing connected transactions under the Listing Rules together with the transactions under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement are subject to the independent Shareholders' approval.

## **THE CTMP FACILITIES LEASE AGREEMENT**

### **Date:**

24 January 2008

### **Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

### **Leased Facilities:**

The CTMP Facilities

### **Rental:**

Approximately RMB382,934 (approximately HK\$411,757) per month, which was agreed between the parties at arm's length with reference to the depreciation cost method (i.e. (net book value of the CTMP Facilities / remaining useful life of the CTMP Facilities) x (1 - applicable tax percentage)). Adjustments to the rental fee are based on the market price but in any event may not exceed 5% of the previous year's rental.

### **Term:**

3 years from 1 January 2008 to 31 December 2010, subject to fulfillment of the conditions precedent to the CTMP Facilities Lease Agreement or early termination as agreed by the parties in writing.

### **Use:**

The CTMP Facilities shall be used by GZ Paper in its pulping, newsprint manufacturing and other related business.

GZ Paper may not, without the prior written consent of GZ Paper Holdings, transfer, sublet or charge the CTMP Facilities.

**Conditions Precedent:**

The CTMP Facilities Lease Agreement is conditional on the Shareholders having passed resolutions approving the execution and performance of the CTMP Facilities Lease Agreement.

**THE WASTEWATER TREATMENT FACILITIES LEASE AGREEMENT**

**Date:**

24 January 2008

**Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

**Leased Facilities:**

The Wastewater Treatment Facilities

**Rental:**

Approximately RMB609,114 (approximately HK\$654,961) per month, which was agreed between the parties at arm's length with reference to the depreciation cost method (i.e. (net book value of the Wastewater Treatment Facilities / remaining useful life of the Wastewater Treatment Facilities) x (1 - applicable tax percentage)). Adjustments to the rental fee are based on the market price but in any event may not exceed 5% of the previous year's rental.

**Term:**

3 years from 1 January 2008 to 31 December 2010, subject to fulfillment of the conditions precedent to the Wastewater Treatment Facilities Lease Agreement or early termination as agreed by the parties in writing.

**Use:**

The Wastewater Treatment Facilities shall be used by GZ Paper in its pulping, newsprint manufacturing and other related business.

GZ Paper may not, without the prior written consent of GZ Paper Holdings, transfer, sublet or charge the Wastewater Treatment Facilities.

**Conditions Precedent:**

The Wastewater Treatment Facilities Lease Agreement is conditional on the Shareholders having passed resolutions approving the execution and performance of the Wastewater Treatment Facilities Lease Agreement.

**THE SUPPLEMENTAL LEASE CONTRACT**

**Date:**

24 January 2008

**Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

**Leased Properties:**

The Expanded Mill Premises

**Rental:**

Approximately RMB1.485 million (approximately HK\$1.59 million) per month, which was agreed between the parties at arm's length with reference to standard rental fees set by the Guangzhou Municipal People's Government for similar premises in the area after taking into account the market rental for similar premises in the area.

**Others:**

Save and except for the above amendments, other terms of the Original Lease Contract remain unchanged. Please refer to the section headed "The Original Lease Contract" below.

The transactions under the Supplemental Lease Contract constitute continuing connected transactions under the Listing Rules and are subject to the independent Shareholders' approval.

## **THE ORIGINAL LEASE CONTRACT**

### **Date:**

17 October 2002

### **Parties:**

Lessor: GZ Paper Holdings

Lessee: GZ Paper

### **Leased Properties:**

Mill Premises

### **Rental:**

Approximately RMB1.446 million (approximately HK\$1.55 million) per month, which was agreed between the parties at arm's length with reference to standard rental fees set by the Guangzhou Municipal People's Government for similar premises in the area after taking into account the market rental for similar premises in the area in 2002. In the event of adjustment of standard rental fees, land use taxes and fees by the Guangzhou Municipal People's Government, the rental fee may be adjusted in accordance with the relevant regulations. Adjustments to the rental fee, however, may not exceed 5% of the previous year's rental. There has been no adjustment since the Original Lease Contract was first entered into.

The basis for calculating the rent remain unchanged from that disclosed in the announcements of the Company dated 17 October 2002 and 28 February 2005 and the circulars to Shareholders dated 9 November 2002 and 21 March 2005.

### **Term:**

20 years from 25 November 2002 which was the date on which the conditions precedent to the Original Lease Contract were fully satisfied.

### **Use:**

The leased properties shall be used by GZ Paper in its newsprint manufacturing business.

GZ Paper may not, without the prior written consent of GZ Paper Holdings, transfer, sublet or charge the leased properties.

## **THE UTILITIES SUPPLY CONTRACT**

### **Date:**

17 October 2002

### **Parties:**

Supplier: GZ Paper Holdings

User: GZ Paper

### **Utilities supplied:**

Electricity, water and steam on 24-hour continual basis to the paper mill operated by GZ Paper on the Mill Premises

### **Fees:**

The annual fees shall be agreed in advance between the parties in writing in respect of each year during the term of the Utilities Supply Contract, the percentage of adjustment of unit rates shall not exceed the percentage of adjustment of the market price and, subject to the special adjustments mentioned below, shall not exceed 10% of the unit rates for the previous year. In the event of special adjustments made by the Guangzhou Municipal People's Government of fees for the supply of electricity, water and steam, adjustments to fees payable under the Utilities Supply Contract shall be made in accordance with the relevant requirements.

The basis for estimating the annual fees remain unchanged from that disclosed in the announcements of the Company dated 17 October 2002 and 28 February 2005 and the circulars to Shareholders dated 9 November 2002 and 21 March 2005.

The annual fees for 2008 are estimated to be approximately RMB430.29 million (approximately HK\$462.68 million) which are determined by reference to the previous transactions in the period from 1 January 2007 to 31 December 2007 i.e. the consumption of the utilities by GZ Paper in the preceding year and the unit rates set for 2008 as stated below. Such unit rates are determined with reference to the applicable regulations of the Guangzhou Municipal People's Government after taking into account the production cost or the market price for provision of such utilities on an industrial basis.



Unit rates for 2008 for such utilities are set out as follows:

<b>Utility</b>	<b>Unit Rate</b>
Electricity:	RMB0.5002 per kwh
Clean water:	RMB0.4689 per cubic metre
Steam:	RMB40 per GJ

**Term:**

20 years from 25 November 2002 which was the date on which the conditions precedent to the Utilities Supply Contract were fully satisfied.

**PREVIOUS TRANSACTIONS**

A summary of the amounts of the transactions under the Original Lease Contract and the Utilities Supply Contract for the three years ended 31 December 2007 as follows (approximate equivalent in HK\$ in brackets):

	<b>Year ended</b> <b>31 December 2005</b> <i>(Note 1)</i>	<b>Year ended</b> <b>31 December 2006</b> <i>(Note 2)</i>	<b>Year ended</b> <b>31 December 2007</b> <i>(Note 3)</i>
Rent under Original Lease Contract <i>(Note 4)</i>	RMB 17,350,011 (HK\$ 16,367,934)	RMB 17,350,011 (HK\$ 17,350,011)	RMB 17,350,011 (HK\$ 17,897,680)
Utilities Supply Contract	RMB 299,847,580 <u>(HK\$282,875,075)</u>	RMB 261,762,007 <u>(HK\$261,762,007)</u>	RMB 248,170,000 <u>(HK\$256,003,714)</u>
Total	RMB 317,197,591 <u>(HK\$299,243,010)</u>	RMB 279,112,018 <u>(HK\$279,112,018)</u>	RMB 265,520,011 <u>(HK\$273,901,394)</u>

*Note 1:* The figures set out in this column are extracted from the audited accounts of the Group for the year ended 31 December 2005. (The exchange rate of RMB 106=HK\$100 was adopted in computing the HK\$ equivalence.)

*Note 2:* The figures set out in this column are extracted from the audited accounts of the Group for the year ended 31 December 2006. (The exchange rate of RMB100 = HK\$100 were adopted in computing the HK\$ equivalence.)

*Note 3:* The figures set out in this column are extracted from the unaudited management accounts of the Group for the year ended 31 December 2007. (The exchange rate of RMB 96.94=HK\$100 was adopted in computing the HK\$ equivalence.)

*Note 4:* There has been no increase in rent.

The aggregate annual cap for each of the three financial years ending on 31 December, 2005, 2006 and 2007 is RMB416.09 million (approximately HK\$429.22 million) at an illustrative exchange rate of RMB96.94=HK\$100.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

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.

The Mill Premises and the assets which generate the utilities supplied pursuant to the Utilities Supply Contract were transferred by GZ Paper to GZ Paper Holdings on 25 November 2002 in order to increase the competitiveness of GZ Paper as part of a corporate restructuring exercise. Pursuant to the Asset Transfer Agreement, GZ Paper agreed to transfer the CTMP Facilities and the Wastewater Treatment Facilities to GZ Paper Holdings to improve the asset structure, which was completed on 29 December 2007. The CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract and the Utilities Supply Contract were entered into to ensure that operations of GZ Paper's newsprint business will remain unaffected after such transfers. GZ Paper's newsprint business is dependent on the entering into and/or continuation of the Transactions. The Expanded Mill Premises are the manufacturing and operating premises of GZ Paper and the CTMP Facilities and the Wastewater Treatment Facilities are part of the operating facilities for GZ Paper to continue its newsprint business. While it may be possible for GZ Paper to locate alternative operating facilities and/or utilities supplies from other sources, the Directors do not consider that alternative facilities providers and/or suppliers (as the case may be) will be able to offer terms which are more favourable than the terms under the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement and the Utilities Supply Contract. The Directors (including the independent non-executive Directors) consider that the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Lease Agreement and the Lease Contract are fair and reasonable and Utilities Supply Contract remains fair and reasonable, all these agreements and contracts were entered into in the ordinary and usual course of business of GZ Paper on normal commercial terms, which are and continue to be in the best interests of the Company and its Shareholders as a whole.

## REQUIREMENTS OF THE LISTING RULES

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. As the applicable percentage ratios in respect of the Transactions on an annual basis, when aggregated under Rule 14A.25 of the Listing Rules, exceed 2.5%, the Transactions are subject to the reporting and announcement requirements as well as the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will also comply with the annual reporting requirements pursuant to Rules 14A.45 and 14A.46 of the Listing Rules in respect of the Transactions and the details of which will be included in the subsequent published annual report and accounts.

The maximum aggregate annual value of the Transactions for each of the three financial years ending 31 December 2010 is RMB626.32 million (approximately HK\$673.46 million). This cap amount has been determined with reference to (i) the annual fees payable by GZ Paper for 2008 under the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Agreement agreed between the parties at arm's length with reference to the depreciation cost method (i.e. (net book value of the relevant Assets / remaining useful life of the relevant Assets) x (1 - applicable tax percentage)); (ii) the annual fees payable by GZ Paper for 2008 under the Lease Contract and the Utilities Supply Contract based on standard fee rates set by the Guangzhou Municipal People's Government after taking into account market prices for similar premises and utilities or the cost of production for such utilities; (iii) adjustments which may be made in accordance with the market price pursuant to the Utilities Supply Contract; (iv) adjustments which may be made in accordance with the requirements of the Guangzhou Municipal People's Government pursuant to the Lease Contract and the Utilities Supply Contract; (v) GZ Paper's estimate of its turnover for the coming three years ending on 31 December 2010; and (vi) based on the assumption that there will be no reduction in the annual fees.

The aggregate cap amount above is calculated as follows:

**(a) Based on the CTMP Facilities Lease Agreement:**

annual rent for 2008:	approximately RMB4.595 million (i.e. RMB0.383 million x 12 months)
assumed increase of 5% of previous year's annual rent for 2009 and 2010	RMB4.595 million x 1.05 x 1.05 = approximately RMB5.066 million

**(b) Based on the Wastewater Treatment Facilities Lease Agreement:**

annual rent for 2008: approximately RMB7.309 million  
(i.e. RMB0.609 million x 12 months)

assumed increase of 5% of  
previous year's annual rent  
for 2009 and 2010: RMB7.309 million x 1.05 x 1.05  
= approximately RMB8.058 million

**(c) Based on the Lease Contract:**

annual rent for 2008: approximately RMB17.83 million  
(i.e. RMB1.485 million x 12 months)

assumed increase of 5% of  
previous year's annual rent  
for 2009 and 2010: RMB17.83 million x 1.05 x 1.05  
= approximately RMB19.66 million

**(d) Based on the Utilities Supply Contract:**

annual fees for 2008: approximately RMB430.29 million

assumed increase of 10% of  
previous year's annual fees  
for 2009 and 2010: RMB430.29 million x 1.1 x 1.1  
= approximately RMB520.65 million

margin of approximately 14%  
to take into account special  
adjustments made by the  
Guangzhou Municipal  
People's Government and  
the estimate of turnover of  
GZ Paper for 2009 and  
2010: RMB520.65 million x 1.14  
= approximately RMB593.54 million

Based on the above calculations, the aggregate cap amount of the Transactions of the Company for each of the three financial years ending 31 December 2010 will be RMB626.32 million (approximately HK\$673.46 million) (i.e. RMB5.066 million + RMB8.058 million + RMB19.66 million + RMB593.54 million).

The term of each of the CTMP Facilities Lease Agreement and the Wastewater Treatment Facilities Agreement is 3 years and the term of each of the Lease Contract and the Utilities Supply Contract is 20 years. Under Rule 14A.35(1) of the Listing Rules, a continuing connected transaction which is not fully exempted must be governed by an agreement for a fixed period not exceeding three years unless there are special circumstances requiring a longer duration. The Directors are of the view that it would be normal business practice for contracts of a similar nature to the Lease Contract and the Utilities Supply Contract to be entered into on a long-term basis and such special circumstances exist for the following reasons:

- (a) The Original Lease Contract and the Utilities Supply Contract were part and parcel of the corporate restructuring of GZ Paper and the Original Lease Contract and the Utilities Supply Contract had been approved by the Shareholders on 25 November 2002. A key feature of the corporate restructuring involved the disposal by GZ Paper to GZ Paper Holdings of, amongst other things, the Mill Premises, the plants and machinery for the generation of electricity, water and steam for use and consumption by the paper mill operated by GZ Paper. To secure the use of the Mill Premises and the continuous supply of electricity, water and steam for the uninterrupted operation of the paper mill, which is the sole business carried on by GZ Paper. GZ Paper negotiated for both the Original Lease Contract and the Utilities Supplies Contract to run for a term of 20 years, such that the said contracts would secure a long-term smooth operation of GZ Paper.
- (b) The Lease Contract and the Utilities Supply Contract contained clear provisions and limitations on price increases, which the Directors consider to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.
- (c) The Original Lease Contract and the Utilities Supply Contract were entered into prior to introduction of Rule 14A.35(1), they do not provide for unilateral termination without cause prior to the agreed term of 20 years, there is no assurance that any negotiations with GZ Paper Holdings to shorten the term of both contracts would be successful, and even if GZ Paper Holdings agrees to replace the subsisting contracts with three-year term contracts there is no assurance that they will be on the same terms and conditions. Termination of such contracts will adversely affect the operation of GZ Paper and the Group.
- (d) The Lease Contract and the Utilities Supply Contract secure the premises and infrastructure for GZ Paper's production premises, three-year term contracts will expose GZ Paper to the risk of having to relocate causing severe disruption to its operations if such agreements and/or contracts cannot be renewed upon expiry or if such agreements and/or contracts are renewed on less favourable terms and conditions.

In view of the above special circumstances and the factors that will be addressed in the circular to be despatched to the Shareholders in connection with the Transactions, for the purposes of compliance with Rule 14A.35(1), the Directors are of the view that in the context of corporate reorganizations involving sale or purchase of substantial production assets, it is normal business practice to enter into long term leases in relation to those production assets to secure uninterrupted operation of the business utilizing them, and it is also normal business practice for companies engaged in utilities supply to enter into long term supply contracts.

If the cap amount is at any time exceeded, or if the terms of the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Agreement, the Lease Contract or the Utilities Supply Contract are altered, or if GZ Paper enters into new arrangements or agreements with GZ Paper Holdings or any other connected persons during the period from 1 January 2008 to 31 December 2010, the Company will comply with the applicable provisions of Chapter 14A of the Listing Rules governing connected transactions.

Yu Ming will be appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Shareholders on whether the terms of the Transactions are fair and reasonable as far as the Shareholders are concerned. As the Supplemental Lease Contract was entered into for a term of more than 3 years, Yu Ming will also opine on the terms of the Supplemental Lease Contract, explain why a longer period is required and confirm that it is normal business practice for contracts of this type to be of such duration.

A circular containing, inter alia, further information in respect of the Transactions as required under the Listing Rules (including a letter from the Independent Board Committee and its recommendations to the Shareholders and an opinion letter of Yu Ming as the independent financial adviser of the Company) and a notice of Shareholders convening an EGM to approve the Transactions will be issued by the Company and despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. No Shareholder is required to abstain from voting in respect of the Transactions.

## TERMS USED IN THIS ANNOUNCEMENT

“Assets”	certain assets and workshops relating to manufacture of mechanical pulping (機漿), CTMP, wastewater treatment, 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 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 on the Singapore Exchange Securities Trading Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CTMP”	Chemico-Thermomechanical Pulping
“CTMP Facilities”	certain facilities and fixtures relating to CTMP
“CTMP Facilities Lease Agreement”	the CTMP facilities and fixtures lease agreement dated 24 January 2008 conditionally entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings agreed to lease the CTMP Facilities to GZ Paper
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting to be convened by the Company on the date to be announced, or any adjournment thereof to consider and approve, if considered appropriate and/or required, each of the Transactions

“Expanded Mill Premises”	the Mill Premises after certain modifications under the Supplemental Lease Contract, with an approximate aggregate gross floor area of 187,215 square metres
“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 Guangzhou Maywide Technology Co., Ltd. (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 Board Committee”	the committee of the Board comprising all of the independent non-executive Directors (namely, Mr. Yu Lup Fat Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen Ambrose) established for the purpose of considering and advising the Shareholders in connection with the Transactions;
“Independent Third Party”	a party which is not a connected person as defined in the Listing Rules
“Lease Contract”	the Original Lease Contract as supplemented by the Supplemental Lease Contract
“Original Lease Contract”	the lease contract dated 17 October 2002 entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings leases the Mill Premises to GZ Paper



“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mill Premises”	certain land, workshops and ancillary buildings located at No.40, Guangzhi Road, Haizhu District, Guangzhou, the PRC, with an approximate aggregate gross floor area of 142,344 square metres
“PRC”	People’s Republic of China
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Lease Contract”	the supplemental lease contract dated 24 January 2008 conditionally entered into between GZ Paper Holdings and GZ Paper in relation to certain amendments to the Original Lease Contract
“Transactions”	the CTMP Facilities Lease Agreement, the Wastewater Treatment Facilities Lease Agreement, the Lease Contract and the Utilities Supply Contract and all transactions contemplated thereunder
“Utilities Supply Contract”	the utilities supply contract dated 17 October 2002 entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings provides electricity, water and steam to GZ Paper
“Yu Ming”	Yu Ming Investment Management Limited, a deemed licensed corporation for types 1, 4, 6, and 9 regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, which is an Independent Third Party
“Wastewater Treatment Facilities”	certain facilities and fixtures relating to wastewater treatment
“Wastewater Treatment Facilities Lease Agreement”	the wastewater treatment facilities and fixtures lease agreement dated 24 January 2008 conditionally entered into between GZ Paper Holdings and GZ Paper pursuant to which GZ Paper Holdings agreed to lease the Wastewater Treatment Facilities to GZ Paper

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

“RMB” Renminbi, the lawful currency of the PRC

*For illustrative purposes of this announcement, RMB93 = HK\$100 save as otherwise stated.*

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

Hong Kong, 24 January 2008

*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).*