



越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Stock Code: 123)

(Incorporated in Hong Kong with limited liability)

Announcement of 2004 Results

Chairman's Statement

During 2004, each and every business of the Group achieved satisfactory results. The profit attributable to shareholders surged to approximately HK\$330,823,000, representing an increase of 10 per cent as compared with that of 2003. Basic earnings per share amounted to approximately HK5.24 cents, representing an increase of 7.2 per cent as compared with that of 2003.

The Group's businesses are mainly concentrated in Guangzhou and its peripheral areas. Therefore, the Group's results benefited from the continuous rapid growth of the Guangzhou economy. In 2004, Guangzhou's GDP first broke RMB410 billion mark, representing an increase of 15 per cent as compared with that of 2003, and Guangzhou experienced a growth rate of over 15 per cent for two consecutive years. In terms of registered households, GDP per capita exceeded US\$6,000. Unemployment rate in the urban area was the lowest in five years. With the privilege of hosting the 2010 Asian Games, the gradual implementation of "9+2" Pan Pearl River Delta Economic Cooperation, the opening of the new Guangzhou New Baiyuan International Airport, and the construction of a new railway station, the economy of Guangzhou is entering into a new phase of development. There are increasing demands on better working conditions, living environment and better quality of cultural life. As a result, the property, toll road and newsprint businesses of the Group achieved satisfactory results in 2004. Turnover from properties development and leasing business was approximately HK\$2,354 million, representing an increase of 3.5 per cent as compared with that of 2003. The profit attributable to shareholders from toll road business was approximately HK\$276 million, representing an increase of 23.5 per cent as compared with that of 2003. Turnover from newsprint business was approximately HK\$1,241 million, representing an increase of 23.3 per cent as compared with that of 2003.

In 2004, the State implemented successive policies to control the supply of land and financing of properties. These policies were intended to further standardize the property market with the objective of ensuring the development of a sustainable and healthy property market. These new policies undoubtedly presented great development opportunities to large and reputable developers such as the Group. In 2004, the Group proactively aligned itself with the market adjustment, further clarified its overall strategies to focus on the property

market of Guangzhou, and expanded the development and operation of commercial properties in a timely fashion. The aim was to gradually transform a mainly unidimensional property development business into a balanced property development and investment business, breaking away from a mere property developer and moving towards the realization of the business model of a “commercial property operator”.

With the economic development of Guangzhou entering into a new phase, there will be more investment in the construction of infrastructure facilities, the construction of inter-city transportation system within the Pearl River Delta will be pushed ahead, with the aim to create an “One hour economic zone” in Pearl River Delta Region (including Hong Kong and Macau) and greater efforts will be devoted to quicken the development of Nansha, with emphasis in capital intensive industries. All these policies and city developments will be beneficial to the expansion of various businesses of the Group in future.

From now on, the Group will capitalize on the opportunities ahead and will leverage on its strength and competence to establish its commercial property business. Comprehensive strategies for procuring the establishment of an integrated property business with balanced investments in both property development and investment will be promptly formulated. At the same time, the Group will strengthen its property management business and will increase its portfolio of multi-function commercial property with ancillary supermarkets or chainstores. While at least maintaining the current level of development in medium-priced and up market residential properties, the Group will increase its product mix by expanding the development of shopping centres, offices and hotels according to market conditions, thereby attaining a balanced development structure for the middle-tier and luxurious products. The toll road business will principally focus in the expansion of high quality expressways. The manufacturing of newsprint will seek to increase its market share through consolidation of internal resources and increase in production capacities. The Group will further enhance its competitiveness and operating efficiency and devote to reducing costs as it has been, to bring higher investment returns for our shareholders.

I wish to take this opportunity to express my gratitude to the directors, senior management and all staff for their hardwork in the management and operation of our businesses during the past year. I also wish to thank all shareholders, our bankers and our business partners for their strong support for the Group.

Ou Bingchang
Chairman

Hong Kong, 21st April 2005

RESULTS

The directors of Guangzhou Investment Company Limited are pleased to announce the audited consolidated results of the Group for the year ended 31st December 2004 as follows:—

	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Turnover	1	4,526,679	3,925,109
Cost of sales		<u>(3,473,912)</u>	<u>(2,758,973)</u>
Gross profit		1,052,767	1,166,136
Other revenues		35,556	31,549
Selling and distribution expenses		(178,451)	(127,154)
General and administrative expenses		(392,143)	(414,033)
Reversal of provision for doubtful debt		104,942	—
Loss on deemed disposal of certain interests in a subsidiary		(481)	(94,942)
Write-back/(write-down) of properties held for/under development to net realisable value		44,546	(5,805)
Revaluation surplus on investment properties		<u>76,750</u>	<u>165,840</u>
Profit from operation	2	743,486	721,591
Finance costs		(112,512)	(224,733)
Share of profits less losses of			
— jointly controlled entities		(23,021)	(49,693)
— associated companies		<u>214,382</u>	<u>181,767</u>
Profit before taxation		822,335	628,932
Taxation	3	<u>(210,565)</u>	<u>(114,599)</u>
Profit after taxation		611,770	514,333
Minority interests		<u>(280,947)</u>	<u>(213,680)</u>
Profit attributable to shareholders		<u>330,823</u>	<u>300,653</u>
Dividends	4	<u>109,797</u>	<u>117,540</u>
Earnings per share	5		
— Basic		<u>HK5.24 cents</u>	<u>HK4.89 cents</u>
— Fully dilluted		<u>HK5.15 cents</u>	<u>HK4.83 cents</u>

Notes:

1 Turnover, revenue and segment information

The Group is principally engaged in development, operation and management of toll highways and bridges, development, selling and management of properties and holding of investment properties, and manufacturing and trading of newsprint. Revenues recognised are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Toll revenue from toll operations	400,212	428,873
Property management fee income	114,610	70,760
Rental income		
- Properties	367,050	319,066
- Car park	65,339	58,908
Sales revenue		
- Sales of properties	1,987,231	1,955,105
- Sales of newsprint	1,240,693	1,006,263
- Others	<u>351,544</u>	<u>86,134</u>
	<u>4,526,679</u>	<u>3,925,109</u>
Other revenues		
Interest income	5,587	8,450
Dividend income	14,904	3,483
Commission on properties sales and rental	<u>15,065</u>	<u>19,616</u>
	<u>35,556</u>	<u>31,549</u>
Total revenues	<u><u>4,562,235</u></u>	<u><u>3,956,658</u></u>

Primary reporting format - business segments

The Group operates mainly in Hong Kong and the Mainland of China (“China”) and in three main business segments:

- Properties - development, selling and management of properties and holding of investment properties
- Toll operations - development, operation and management of toll highways and bridges
- Paper - manufacturing and selling of newsprint paper

There are no significant sales between the business segments.

Secondary reporting format - geographical segments

The Group's three business segments are mainly managed in Hong Kong and China:

Hong Kong — properties

China — toll operations, properties and paper

Others — properties

There are no significant sales between the geographical segments.

Primary reporting format - business segments

	Toll operations		Properties		Paper		Group	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>400,212</u>	<u>428,873</u>	<u>2,885,774</u>	<u>2,489,973</u>	<u>1,240,693</u>	<u>1,006,263</u>	<u>4,526,679</u>	<u>3,925,109</u>
Segment results	<u>148,790</u>	<u>185,289</u>	<u>530,881</u>	<u>591,423</u>	<u>95,296</u>	<u>90,293</u>	774,967	867,005
Interest income							5,587	8,450
Loss on deemed disposal of certain interests in a subsidiary							(481)	(94,942)
Unallocated operation costs							(36,587)	(58,922)
Finance costs							(112,512)	(224,733)
Share of profits less (losses) of:								
Jointly controlled entities	13,772	(20,419)	(36,793)	(29,274)	—	—	(23,021)	(49,693)
Associated companies	214,382	181,607	—	160	—	—	<u>214,382</u>	<u>181,767</u>
Profit before taxation							822,335	628,932
Taxation							<u>(210,565)</u>	<u>(114,599)</u>
Profit after taxation							611,770	514,333
Minority interests							<u>(280,947)</u>	<u>(213,680)</u>
Profit attributable to shareholders							<u>330,823</u>	<u>300,653</u>

Secondary reporting format - geographical segments

	Turnover	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong	448,891	180,674
China	4,051,641	3,741,675
Overseas	<u>26,147</u>	<u>2,760</u>
	<u>4,526,679</u>	<u>3,925,109</u>

2 Profit from operation

Profit from operation is stated after charging the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation and amortisation	211,441	184,280
Cost of inventories sold	3,202,685	2,508,535
Loss on disposal of other investments	—	1,059

3 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 17.5 per cent (2003: 17.5 per cent) on the estimated assessable profit for the year.
- (b) China enterprise income taxation is provided on the profits of the Group's subsidiaries, associated companies and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises ("China Tax Law") at rates ranging from 18 per cent to 33 per cent. Under the China Tax Law, certain of the Group's subsidiaries, associated companies and jointly controlled entities in China are entitled to an income tax holiday for two to five years from its first profit making year followed by a 50 per cent reduction in income tax for the next three to five years.
- (c) China land appreciation tax is levied at progressive rates ranging from 30 per cent to 60 per cent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures.
- (d) The amount of taxation charged to the consolidated profit and loss account represents:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<u>Company and subsidiaries</u>		
Current taxation		
Hong Kong profits tax	1,547	1,627
China enterprise income tax	135,656	78,974
China land appreciation tax	68,295	42,544
Under/(over)provision in prior years	5,296	(6,051)
Deferred taxation relating to the reversal of temporary differences	(31,852)	(30,949)
Deferred taxation resulting from an increase in tax rate	—	(1,019)
	<u>178,942</u>	<u>85,126</u>
<u>Associated companies</u>		
Share of China enterprise income tax	13,990	5,814
Share of deferred taxation	11,589	17,782
<u>Jointly controlled entities</u>		
Share of deferred taxation	<u>6,044</u>	<u>5,877</u>
Taxation charges	<u>210,565</u>	<u>114,599</u>

4 Dividends

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim, paid, of HK\$0.0083 (2003: HK\$0.008) per ordinary share	52,531	49,502
Final, proposed, of HK\$0.009 (2003: HK\$0.0108) per ordinary share	<u>57,266</u>	<u>68,038</u>
	<u>109,797</u>	<u>117,540</u>

5 Earnings per share

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$330,823,000 (2003: HK\$300,653,000).

The basic earnings per share is based on the weighted average number of 6,318,186,352 (2003: 6,146,494,166) ordinary shares in issue during the year. The diluted earnings per share is based on 6,424,401,643 (2003: 6,223,195,777) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 106,215,291 (2003: 76,701,611) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

6 Recently issued accounting standards

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that investment properties are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

ANALYSIS OF RESULTS

During 2004, the Group's turnover rose sharply by 15.3 per cent to HK\$4,526,679,000, of which income from properties sale and leasing business accounted for 52 per cent of the turnover. The increase in turnover was mainly attributable to the sale of Pokfulam Terrace in Hong Kong by its property arm.

For the Group's property business, despite competition in the property market of Guangzhou remained keen in 2004, income from properties sales and leasing business from the Group's properties in Guangzhou and Hong Kong still recorded growth of various extents, with sales income recorded a slight increase of 1.6 per cent to HK\$1,987,231,000, and rental income recorded a sharp increase of 15 per cent to HK\$367,050,000, reflecting a continuous growth in contribution from the Group's rental properties. As for the Group's toll road business, despite the adverse impact on the traffic of Class 1 and Class 2 highways occasioned by the evolution of the highway network in Guangzhou and continuous diversion

effect brought about by the new expressways, which resulted in the decrease of the Group's turnover from toll road business by 6.7 per cent to HK\$400,212,000, certain expressways of the Group benefited from the commencement of operation of Jingzhu Expressway and Guanghuai Expressway, and witnessed rapid growth in traffic and income. For the newsprint business, turnover rose sharply by 23.3 per cent to HK\$1,240,693,000 due to continued rising demand for newsprint in China.

Due to increased costs of raw materials in China and increased costs of sales for certain projects of the property business in 2004, gross profit margin of the Group decreased by 9.7 per cent to HK\$1,052,767,000.

The Group implemented stringent costs control measures in 2004. However, as the selling and administrative expenses for Guangzhou City Construction & Development Homecity Supermarket was accounted for for the full year, the Group's selling and administrative expenses slightly increased by 5.4 per cent to HK\$570,594,000. In addition, surplus in the revaluation of investment properties of HK\$76,750,000, write back of impairment provision on projects under construction of HK\$44,546,000 and a provision for doubtful debt of HK\$104,942,000 made in prior years was written back in 2004.

The Group's finance costs decreased by 49.9 per cent to HK\$112,512,000 in 2004, which was mainly attributable to the continual repayment of bank borrowings by the Group and capitalization of interests for projects under construction of the property business.

The Group's share of profit of associated companies rose sharply by 17.9 per cent to HK\$214,382,000, which was mainly attributable to the growth in earnings on the toll road projects of the Group's toll road business, including Humen Bridge, Northern Ring Expressway and Shantou Bay Bridge. Notwithstanding an earning of HK\$13,772,000 attributable to GNSR Expressway, a jointly controlled entity of the toll road business, the Group's share of loss of jointly controlled entities was HK\$23,021,000 in 2004, resulting from provision on impairment for the property business attributable to jointly controlled entities.

The Group's taxation charge in 2004 was HK\$210,565,000, representing an increase of 83.7 per cent as compared with that of 2003, which was mainly attributable to the increase in profit before taxation for the year.

Minority interests of the Group in 2004 increased by 31.5 per cent to HK\$280,947,000, which was mainly attributable to the increase in profit before taxation for the year, which resulted in a corresponding increase in minority interests.

For the year ended 31st December 2004, the Group's profit attributable to shareholders increased by 10 per cent to HK\$330,823,000, and basic earnings per share was HK5.24 cents.

FINAL DIVIDEND

The Directors recommended the payment of final dividend of HK\$0.009 (2003: HK\$0.0108) per share to shareholders whose names appeared on the register of members of the Company on 26th May 2005. Subject to the approval of shareholders at the Annual General Meeting to be held on 26th May 2005, the final dividend will be paid on 16th June 2005. Together with the interim dividend of HK\$0.0083 (2003: HK\$0.008) per share, total dividends for the year ended 31st December 2004 will amount to HK\$0.0173 (2003: HK\$0.0188) per share, representing a dividend pay out ratio of 33 per cent.

BUSINESS REVIEW

During 2004, each and every business of the Group achieved satisfactory results. Total sales of properties in Guangzhou and Hong Kong amounted to approximately HK\$1,987 million. Profit attributable to shareholders of GZI Transport Limited, a toll road business subsidiary of the Group, was HK\$276 million, representing an increase of 23.5 per cent as compared with that of 2003. Sales income from Guangzhou Paper Co., Ltd. ("Guangzhou Paper") amounted to approximately HK\$1,241 million, representing an increase of 23.3 per cent as compared with that of 2003.

Property business

Tapping on excellent opportunities offered by the upward moving Guangzhou property prices in 2004, which was a breakthrough of the virtually flat pricing trend for the past years and a robust rebound of the property market in Hong Kong, the Group promptly launched its properties projects for sale, which mitigated the effect of substantial increase in costs of construction raw materials, and obtained satisfactory results.

Up to 311,500 sq. meters in the floor area of the Group's properties in Hong Kong and Guangzhou were sold, which mainly included the first and second phases of Jiang Nan New Mansion, phase 3 of Springland Garden, the first and second phases of Southern Le Sand in Nansha, Glade Village in Chonghua, and part of Star International. These properties were located adjacent to subway exits or superb community neighborhoods. Therefore sales were very active. During the period, remaining units in 23 projects, including Run Hui Building, Ju Ya Mansion, Wen De Ya Xuan and Springland Garden were sold. The Group thus effectively reduced its number of completed properties pending for sale to a historical low level.

In Hong Kong, the Group launched the Pokfulam Terrace project in Pokfulam during the year under review, which was well received by the market. About 7,700 sq. meters of floor area was sold, with sales amounting to HK\$326 million.

In view of enhancing the competitiveness of the Company's core businesses and to reduce market risks, the business strategies for the Group's properties business was set as "emphasis in both development of residential properties and operation of commercial properties, so as to generate stable development and steady stream of revenue in the long term".

In view of the macro-economic control measures imposed on the economy, by leveraging on the quality of its properties and the reputation of its brand, the Group gradually transformed from engaging in a single line of business of properties development to a comprehensive commercial properties operator with emphasis in both sales of and investment in properties. Through appropriate horizontal expansion in the scale of its operation in commercial properties, vertical integration of the upstream and downstream operations has been realized as a result of the radial nature of the operation of commercial properties. This in turn promoted further development of various supporting businesses. During the year, when new projects such as Victory Plaza and Fortune Square officially commenced operation, area of properties leased by the Group increased to approximately 600,000 sq. meters, with rental income amounting to approximately HK\$367 million, representing an increase of 15 per cent as compared with that of 2003. The Group will pursue horizontal expansion and vertical integration for its property development, and bring long-term and steady income for the shareholders.

By allocating the Group's large land bank in an appropriate manner, we will expand the development for commercial properties and offices, so as to cope with the development trend of Guangzhou as the centre of Pan Pearl River Delta Economic Region.

As a result of the rapid growth in the economy of Guangzhou and the indirect benefits deriving from Guangzhou being the centre of Pan Pearl River Delta Economic Region, demand from the market as a whole with respect to high quality working environment, living conditions and infrastructure facilities continued to increase. By sufficiently leveraging on the advantage of the Group having a large land bank, it will expand the development of middle-tier and luxurious residential properties, shopping centers, offices and hotels as appropriate, whilst still focusing on the development of residential properties. The development of the tower building for Victory Plaza, Subway RJ-1, Tianhe Commercial 12-1, 5 will proceed successively. The Group will thus have different products to meet the needs of the market in future.

Other businesses

Earnings from the toll road business continued to grow, and the production and sales of newsprint business rose sharply.

Despite the traffic diversion effect caused by the new roads on the Group's certain non-expressway highways resulted in the fall of income for such highways in 2004, traffic volume for the expressways of the associated companies of GZI Transport, rose sharply, benefiting from the economic boom in Guangdong Province, in particular, Pan Pearl River Delta Economic Region, commencement of operation for Jingzhu Expressway, rise in living standards, and the substantial increase in car ownership by households. Compared with 2003, daily average traffic volume of GNSR Expressway, Humen Bridge and Xian Expressway increased by 147.9 per cent, 21.8 per cent and 37.4 per cent respectively. Profit attributable to shareholders from GZI Transport increased by 23.5 per cent to approximately HK\$276 million as compared with that of 2003.

Guangzhou Paper continued to maintain bigger market share in the domestic newsprint market during the year. As the boom in demand for newsprint in China continued, through cost controls and strengthening management, improvement in production programs, more than 301,800 tonnes of newsprint were produced by Guangzhou Paper for the year, with 311,200 tonnes of newsprint sold, representing an increase of 19.6 per cent as compared with that of 2003. Meanwhile, by adopting a series of management measures, such as reducing consumption and wastage of various types of raw materials, extensive downsizing of staff and reduction of finance costs by early repayment of bank loans, the pressure on the substantial increase in costs brought by the surge in price of raw materials and energy was relieved to a significant extent. The operation of Guangzhou Paper maintained its steady development. During the year under review, Guangzhou Paper recorded a turnover of approximately HK1,241 million, representing an increase of 23.3 per cent as compared with that of 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18th May 2005 to Thursday, 26th May 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Share Registrar, Abacus Share Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 17th May 2005.

**DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK
EXCHANGE OF HONG KONG LIMITED**

The annual report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (before amendments effective 31st March 2004) will be published on the website of the Stock Exchange in due course.

By order of the Board

Ou Bingchang

Chairman

Hong Kong, 21st April 2005

As at the date of this announcement, the Board of the Company comprises:

Executive Directors: Ou Bingchang, Liang Yi, Chen Guangsong, Li Fei, Liang Ningguang
and Xiao Boyan.

Independent Non-executive Directors: Yu Lup Fat Joseph, Lee Ka Lun and Lau Hon Chuen Ambrose.

Please also refer to the published version of this announcement in The Standard.