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

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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)

DISCLOSEABLE TRANSACTIONS

DISPOSAL OF PROPERTIES

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DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Guangzhou Investment Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the disposal of the Tsuen Wan Property and the Lung Wah Property pursuant to the Tsuen Wan International Centre Agreement and Lung Wah International Godown Agreement
“Front Riches”	Front Riches Limited, a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party and its ultimate beneficial owner are third parties which are independent of the Company and connected persons of the Company
“Latest Practicable Date”	29 December 2005
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lung Wah International Godown Agreement”	the provisional sale and purchase agreement dated 9 December 2005, entered into between Front Riches Limited as the vendor, and MG Tsuen Wan B as the purchaser for the disposal of the Lung Wah Property
“Lung Wah Property”	the property being the subject matter of the Lung Wah International Godown Agreement, which is more particularly set out in the paragraph headed “The Agreements — II. Lung Wah International Godown Agreement — Assets” in this circular
“Raybeach”	Raybeach Investment Limited, a wholly owned subsidiary of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Tsuen Wan International Centre Agreement”

the provisional sale and purchase agreement dated 9 December 2005, entered into between Raybeach Investment Limited as the vendor, and MG Tsuen Wan A as the purchaser for the disposal of the Tsuen Wan Property

“Tsuen Wan Property”

the property being the subject matter of the Tsuen Wan International Centre Agreement, which is more particularly set out in the paragraph headed “The Agreements — I. Tsuen Wan International Centre Agreement — Assets” in this circular

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong



越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 123)

Directors:

Executive Directors:

Ou Bingchang (*Chairman*)

Liang Yi

Chen Guangsong

Li Fei

Legal address:

Registered office:

24th Floor, Yue Xiu Building

160-174 Lockhart Road

Wanchai

Hong Kong

Independent non-executive Directors:

Yu Lup Fat Joseph

Lee Ka Lun

Lau Hon Chuen Ambrose

3 January 2006

To the shareholders of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS

1. Introduction

As disclosed in the announcement issued by the Company dated 9 December 2005, Raybeach Investment Limited and Front Riches Limited, both being wholly-owned subsidiaries of the Company, separately entered into the Tsuen Wan International Centre Agreement and the Lung Wah International Godown Agreement for the sale of the Tsuen Wan Property and the Lung Wah Property to Independent Third Parties for a total consideration of HK\$545 million.

The Disposals contemplated under the Tsuen Wan International Centre Agreement and the Lung Wah International Godown Agreement together constitute a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide the shareholders of the Company with information in relation to the Tsuen Wan International Centre Agreement and the Lung Wah International Godown Agreement in compliance with the Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

2. The Agreements

I. *Tsuen Wan International Centre Agreement*

- Date:** 9 December 2005
- Vendor:** Raybeach Investment Limited, an investment holding company, and a wholly-owned subsidiary of the Company.
- Purchaser:** MG Tsuen Wan A, a corporation which, the Directors confirm that to the best of their knowledge, information and belief, after having made all reasonable enquiry, is and its ultimate beneficial owner is an Independent Third Party.
- Asset:** Tsuen Wan Property, being Unit on G/F, Unit A on 3/F, Unit A, B, C & D on 4/F, 6/F, 7/F, 8/F, 10/F and 11/F, Unit E on 11/F, Units A, B, C, D and E on 12/F, 13/F, 17/F, 18/F, 23/F, 25/F, 26/F, 27/F, 28/F and 30/F, Units A and B on 19/F, all roofs, container parking spaces Nos. C1, C2, C3, C4, C5, C6 and C7 on 1/F, private parking spaces Nos. P2, P3, P4, P5, P6, P7, P8, P9, P10, P11, P12, P13, P14, P15, P16, P17 and P18 on 1/F, lorry parking spaces Nos. L1, L3, L4 and L5 on 1/F, private parking spaces P19, P20, P21, P22, and P23 on 2/F, and lorry parking spaces Nos. L7, L8, L9, L10, L11, L12, L13, L14, L15 and L16 on 2/F of Tsuen Wan International Centre.
- The Tsuen Wan Property is currently leased out to various tenants. Total area of the Tsuen Wan Property is 394,251 sq. feet.
- Consideration:** HK\$365 million which was agreed after arm's length negotiations between the Raybeach and MG Tsuen Wan A by reference to the general market value of similar properties and shall be payable in cash as follows:
- (i) HK\$36.5 million upon the signing of the Tsuen Wan International Centre Agreement; and
 - (ii) HK\$328.5 million on completion, which is expected to be two months from the date of the Tsuen Wan International Centre Agreement, or as agreed between Raybeach and MG Tsuen Wan A in writing.

LETTER FROM THE BOARD OF DIRECTORS

According to the audited balance sheet of Raybeach as at 31 December 2004, the book value of the Tsuen Wan Property was HK\$260 million. A valuation of the Tsuen Wan Property was carried out on 30 June 2005 and the value of the Tsuen Wan Property remained at HK\$260 million. The carrying value of the Tsuen Wan Property as at 30 November 2005 is HK\$260 million. The expected gain to the Group from the Disposal with reference to the consideration to be received and the book value of the Tsuen Wan Property is approximately HK\$105 million.

For the two financial years ended 31 December 2003 and 2004, the net profit/(loss) before taxation in relation to the Tsuen Wan Property was HK\$8,645,211 and HK\$7,970,907 respectively.

Terms:

- Raybeach shall show and give a good and marketable title to the Tsuen Wan Property and MG Tsuen Wan A shall be deemed to have accepted Raybeach's title to the Tsuen Wan Property upon the signing of the Tsuen Wan International Centre Agreement.
- The Tsuen Wan Property is sold to MG Tsuen Wan A on an "as is" basis in its present state and condition and MG Tsuen Wan A declares and confirms that it has inspected and accepts and purchase with full knowledge of the existing user, physical state, condition and finishes of the Tsuen Wan Property.
- The Tsuen Wan Property is sold to and with the benefit of the existing lettings, tenancies and licences.
- Completion of the Tsuen Wan International Centre Agreement is conditional upon the Lung Wah International Godown Agreement being completed simultaneously.
- Raybeach and MG Tsuen Wan A shall enter into a formal sale and purchase agreement on or before 8 January 2006, if for any reason a formal sale and purchase agreement shall not be signed by the parties, the Tsuen Wan International Centre Agreement shall become the formal sale and purchase agreement and shall be binding on the parties in all respects fully and effectively.

II. Lung Wah International Godown Agreement

Date: 9 December 2005

Vendor: Front Riches Limited, an investment holding company, and a wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD OF DIRECTORS

Purchaser: MG Tsuen Wan B, a corporation which, the Directors confirm that to the best of their knowledge, information and belief, after having made all reasonable enquiry, is and its ultimate beneficial owner is an Independent Third Party.

Assets: Lung Wah Property, being, all that piece or parcel of ground registered in the Land Registry as The Remaining Portion of Tsuen Wan Town Lot No.135 together with the messuages erections and buildings thereon now known as Nos. 72-76 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong and All That piece or parcel of land registered in the Land Registry as Section A of Tsuen Wan Town lot No.135.

The Lung Wah Property is currently leased out to various tenants. Total area of the Lung Wah Property is 235,599 sq. feet.

Consideration: HK\$180 million which was agreed after arm's length negotiations between Front Riches and MG Tsuen Wan B by reference to the general market value of similar properties and shall be payable in cash as follows:

- (i) HK\$18 million on the signing of the Lung Wah International Godown Agreement; and
- (ii) HK\$162 million on completion, which is expected to be two months from the date of the Lung Wah International Godown Agreement, or as agreed between Front Riches and MG Tsuen Wan B in writing.

According to the audited balance sheet of Front Riches, as at 31 December 2004, the book value of the Lung Wah Property was HK\$125 million. A valuation of the Lung Wah Property was carried out on 30 June 2005 and the value of the Lung Wah Property remained at HK\$125 million. The carrying value of the Lung Wah Property as at 30 November 2005 was also HK\$125 million. The expected gain to the Group from the Disposal with reference to the consideration to be received and the book value of the Lung Wah Property is approximately HK\$55 million.

For the two financial years ended 31 December 2003 and 2004, the net profit/(loss) before taxation in relation to the Lung Wah Property was HK\$3,403,558 and HK\$3,366,887 respectively.

Terms:

- Front Riches shall show and give a good and marketable title to the Lung Wah Property and MG Tsuen Wan B shall be deemed to have accepted Front Riches' title to the Lung Wah Property upon the signing of the Lung Wah International Godown Agreement.

LETTER FROM THE BOARD OF DIRECTORS

- The Lung Wah Property is sold to MG Tsuen Wan B on an “as is” basis in its present state and condition and MG Tsuen Wan B declares and confirms that it has inspected and accepts and purchase with full knowledge of the existing user, physical state, condition and finishes of the Lung Wah Property.
- The Lung Wah Property is sold to and with the benefit of the existing lettings, tenancies and licences.
- Completion of this Lung Wah International Godown Agreement is conditional upon the Tsuen Wan International Centre Agreement being completed simultaneously.
- Front Riches and MG Tsuen Wan B shall enter into a formal sale and purchase agreement on or before 8 January 2006, if for any reason a formal sale and purchase agreement shall not be signed by the parties, the Lung Wah International Godown Agreement shall become the formal sale and purchase agreement and shall be binding on the parties in all respects fully and effectively.

3. Business of the Group

The principal businesses of the Group are property development, management and investment, newsprint manufacturing and operation of toll roads and bridges.

4. Reasons for and benefits of the Disposal

The Board considers that the Disposals will enable the Group to free up capital for the Group’s operations, any potential new investment opportunities that might arise in the future, and improve the Group’s gearing. The Group currently has not identified any immediate investment targets. Approximately HK\$205 million of the proceeds will be reserved for the Group’s operations and any potential new investment opportunities, and HK\$340 million will be used to repay bank loans. The amount of outstanding mortgage loans for the Tsuen Wan Property and Lung Wah Property are HK\$160 million and HK\$180 million respectively.

The Board, including the Independent Non-executive Directors of the Company, consider the Disposals to be on normal commercial terms, and that the terms are fair and reasonable and the Disposals are in the interests of the Company and the Shareholders as a whole.

5. Financial impact of the transaction

Upon completion of the Disposal, the Group is expected to record a gain on the Disposal of approximately HK\$160 million. The Disposal will generate HK\$545 million cash inflow to the Group, of which HK\$340 million will be used to repay outstanding bank loans on the Tsuen Wan Property and the Lung Wah Property which total HK\$360 million as at 30 June 2005.

LETTER FROM THE BOARD OF DIRECTORS

As a result of the Disposal, the gain on the Disposal and the repayment of the outstanding bank loans as mentioned above, the assets of the Group will have a net decrease of HK\$180 million, which is approximately 0.69% of the total consolidated assets of the Group. Due to the repayment on the outstanding loans on the Tsuen wan Property and the Lung Wah Property, the liabilities of the Group will also decrease by HK\$340 million, which is approximately 1.83% of the total liabilities of the Group.

6. General information

MG Tsuen Wan A and MG Tsuen Wan B are both investment holding companies under the Macquarie Goodman Group, which the Directors confirm that to the best of their knowledge, information and belief, after having made all reasonable enquiry, is an Independent Third Party. The Macquarie Goodman Group is involved in property investment, funds management, property development and property services.

Additional information

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

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL OF THE COMPANY

As at Latest Practicable Date, the authorised share capital of the Company was HK\$1,000,000,000 divided into 10,000,000,000 Shares, of which 6,517,613,914 Shares were issued and fully paid.

3. DISCLOSURE OF DIRECTORS' INTERESTS IN THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives (if any) of the Company had, or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests and short positions which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(a) Long positions in shares of the Company and its associated corporations

Directors	Interests in the Company or its associated corporation	Capacity in holding interest	Approximate % of shareholding in the same class of securities	Number and class of securities
Mr. Lee Ka Lun	The Company	Beneficial owner	0.02	1,050,000 Shares

(b) Long positions in underlying shares of equity derivatives of the Company and its associated corporations

Directors	Interests in the Company or its associated corporation	Capacity in holding interest	Date of grant <i>(Note)</i>	Exercise price per share <i>HK\$</i>	Number of outstanding share options
Mr. Ou Bingchang	The Company	Beneficial owner	02/06/2003	0.5400	9,000,000
Mr. Liang Yi	The Company	Beneficial owner	02/06/2003	0.5400	7,000,000
Mr. Chen Guangsong	The Company	Beneficial owner	02/06/2003	0.5400	8,000,000
Mr. Li Fei	The Company	Beneficial owner	02/06/2003	0.5400	7,000,000
Mr. Yu Lup Fat Joseph	The Company	Beneficial owner	02/06/2003	0.5400	3,500,000
Mr. Lee Ka Lun	The Company	Beneficial owner	02/06/2003	0.5400	2,450,000

Note: The share options are exercisable from 2nd June, 2003 to 1st June, 2013, of which a maximum of up to (i) 30 per cent.; and (ii) 60 per cent. (inclusive of any options exercised under (i)) thereof are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant, respectively.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors and their respective associates had any competing interest with the Group.

4. SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive (if any) of the Company, no person (not being a Director or chief executive (if any) of the Company nor any member of the Group), has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or who is directly or indirectly interested in 10 per cent. or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of the Company.

Name	Capacity in holding interest	Long/short position	Approximate % of shareholding in the same class of securities	Number and class of securities held
Yue Xiu (<i>Note 1</i>)	Beneficial owner and interest of controlled corporation	Long position	49.6	3,229,435,248 Shares
JPMorgan Chase & Co. (<i>Note 2</i>)	Investment manager and approved lending agent	Long position	5.0	327,863,000 Shares

Notes:

- Yue Xiu has direct holding of 10,928,184 Shares and is deemed by the SFO to be interested in 3,218,507,064 Shares as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which are as follows:

Name	Capacity in holding interest	Long/short position	Number and class of securities held
Excellence Enterprises Co., Ltd. (“ Excellence ”) (<i>Note i</i>)	Interest of controlled corporation	Long position	3,174,015,064 Shares
Bosworth International Limited	Beneficial owner	Long position	2,279,312,904 Shares
Sun Peak Enterprises Ltd. (“ Sun Peak ”) (<i>Note ii</i>)	Interest of controlled corporation	Long position	565,683,000 Shares
Novena Pacific Limited (“ Novena ”)	Beneficial owner	Long position	565,683,000 Shares
Shine Wah Worldwide Limited (“ Shine Wah ”) (<i>Note iii</i>)	Interest of controlled corporation	Long position	158,049,000 Shares
Morrison Pacific Limited (“ Morrison ”)	Beneficial owner	Long position	158,049,000 Shares

Name	Capacity in holding interest	Long/short position	Number and class of securities held
Perfect Goal Development Co., Ltd. (“ Perfect Goal ”) (<i>Note iv</i>)	Interest of controlled corporation	Long position	135,737,000 Shares
Greenwood Pacific Limited (“ Greenwood ”)	Beneficial owner	Long position	135,737,000 Shares
Yue Xiu Finance Company Limited	Beneficial owner	Long position	44,492,000 Shares
Seaport Development Limited (“ Seaport ”) (<i>Note v</i>)	Interest of controlled corporation	Long position	35,233,160 Shares
Goldstock International Limited (“ Goldstock ”)	Beneficial owner	Long position	35,233,160 Shares

- i. Excellence, a wholly-owned subsidiary of Yue Xiu, is deemed by the SFO to be interested in 3,174,015,064 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiaries.
 - ii. Sun Peak is deemed by the SFO to be interested in 565,683,000 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Novena.
 - iii. Shine Wah is deemed by the SFO to be interested in 158,049,000 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Morrison.
 - iv. Perfect Goal is deemed by the SFO to be interested in 135,737,000 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Greenwood.
 - v. Seaport is deemed by the SFO to be interested in 35,233,160 Shares as a result of its indirect holding of such Shares through its wholly-owned subsidiary, Goldstock.
2. The capacity of JPMorgan Chase & Co. in holding the 327,863,000 Shares is as to 273,644,000 Shares as investment manager and as to 54,219,000 Shares as approved lending agent.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, each of Messrs. Ou Bingchang and Liang Yi, Directors of GZI Transport Limited, had entered into a service agreement with GZI Transport Limited, a subsidiary of the Company which, after an initial fixed term of one year commencing on 8 January 2003 and 28 February 2003 respectively, had been extended for a further term of two years up to 2006 unless terminated sooner by GZI Transport Limited giving to the relevant Director three months’ prior written notice or by the relevant Director giving to GZI Transport Limited six months’ prior written notice.

Save as disclosed above, none of the Directors had, as at the Latest Practicable Date, a service contract or a proposed service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), and there are currently no proposed directors by the Company.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

7. GENERAL

- (a) The registered office of the Company is situated at 24th Floor, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Yu Tat Fung, solicitor of the High Court of Hong Kong.
- (c) The qualified accountant of the Company is Mr. Chow Wai Kit. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow is also an associate member of The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text.