



GUANGZHOU INVESTMENT COMPANY LIMITED

越秀投資有限公司

# ***Presentation on Reorganisation***

***Separate Toll Road Operation, Focus on the Property Business***

***21 October 2009***



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# ***Transaction Introduction***



# Team Introduction

Name	Background
 <p data-bbox="327 422 561 486"><b>Mr Lu Zhifeng,</b> Chairman of GZI</p>	<ul data-bbox="980 418 1856 494" style="list-style-type: none"><li>❖ Over 30 years of experience in management and operation</li><li>❖ Chairman of Yue Xiu</li></ul>
 <p data-bbox="327 629 951 696"><b>Mr Zhang Zhaoxing,</b> Vice Chairman and General Manager of GZI</p>	<ul data-bbox="980 608 1908 719" style="list-style-type: none"><li>❖ Extensive experience in large enterprises</li><li>❖ Vice Chairman and General Manager of Yue Xiu, Chairman of GZI</li></ul>
 <p data-bbox="327 833 692 901"><b>Mr. Liang Ningguang</b> Vice Chairman of Yue Xiu</p>	<ul data-bbox="980 829 1881 905" style="list-style-type: none"><li>❖ Extensive experience in capital operation of large enterprises</li><li>❖ Chairman of GZI REIT and Executive Director of GZI</li></ul>
 <p data-bbox="327 1029 683 1096"><b>Mr. Tang Shouchun</b> Executive Director of GZI</p>	<ul data-bbox="980 1022 1680 1098" style="list-style-type: none"><li>❖ Extensive experience in financial management</li><li>❖ Deputy General Manager of Yue Xiu</li></ul>

# Reorganisation as a Major Milestone



Disposal of cement business

2002



Disposal of newsprint business

2008



Separation of toll road operation

2009



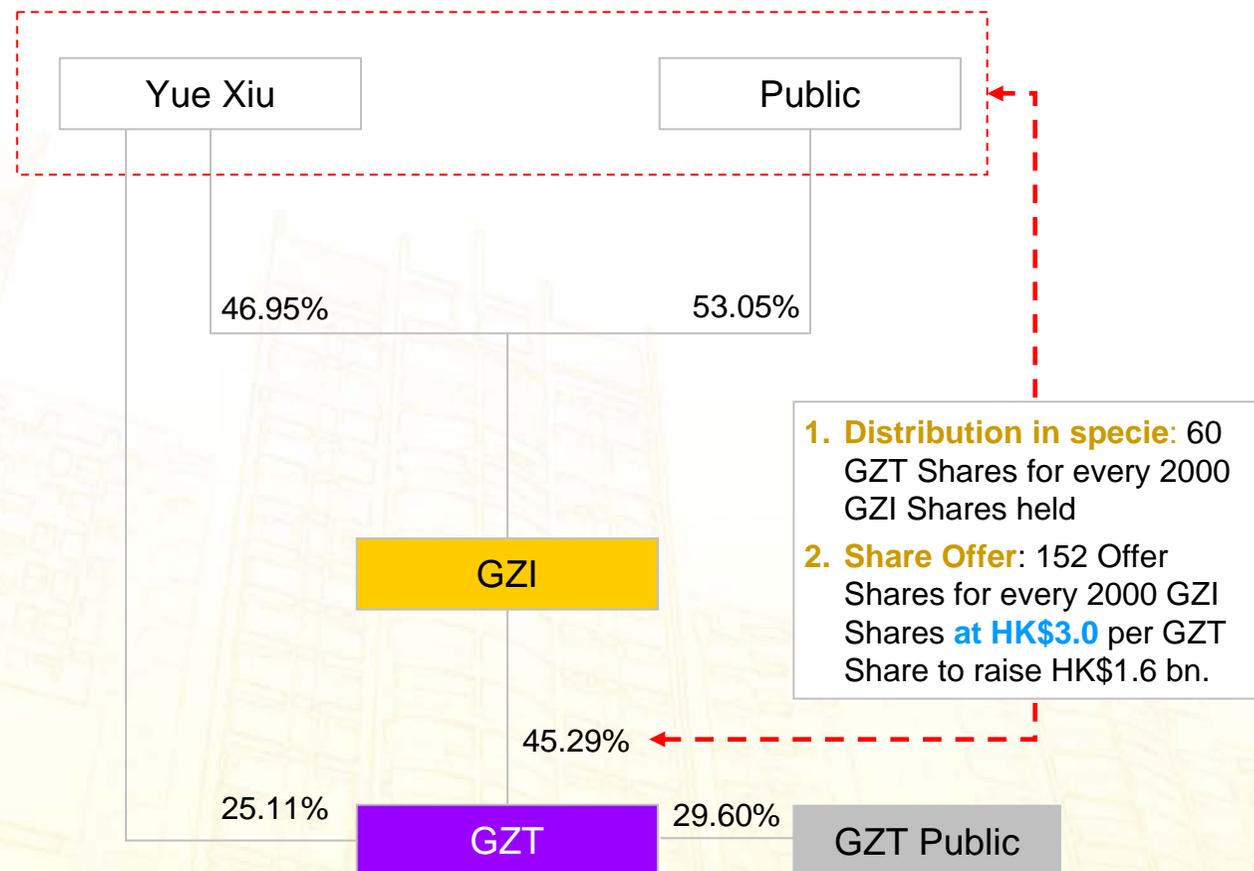
Focus on property business

2010 onwards

# Company Structure Before Reorganisation

- ❖ Focus on property development and investment
- ❖ Separate toll road business by way of:
  - Special dividend to shareholders
  - Share Offer to shareholders
- ❖ Proceeds from the Share Offer will be used in property business
- ❖ Change the company name to **Yuexiu Property Company Limited**

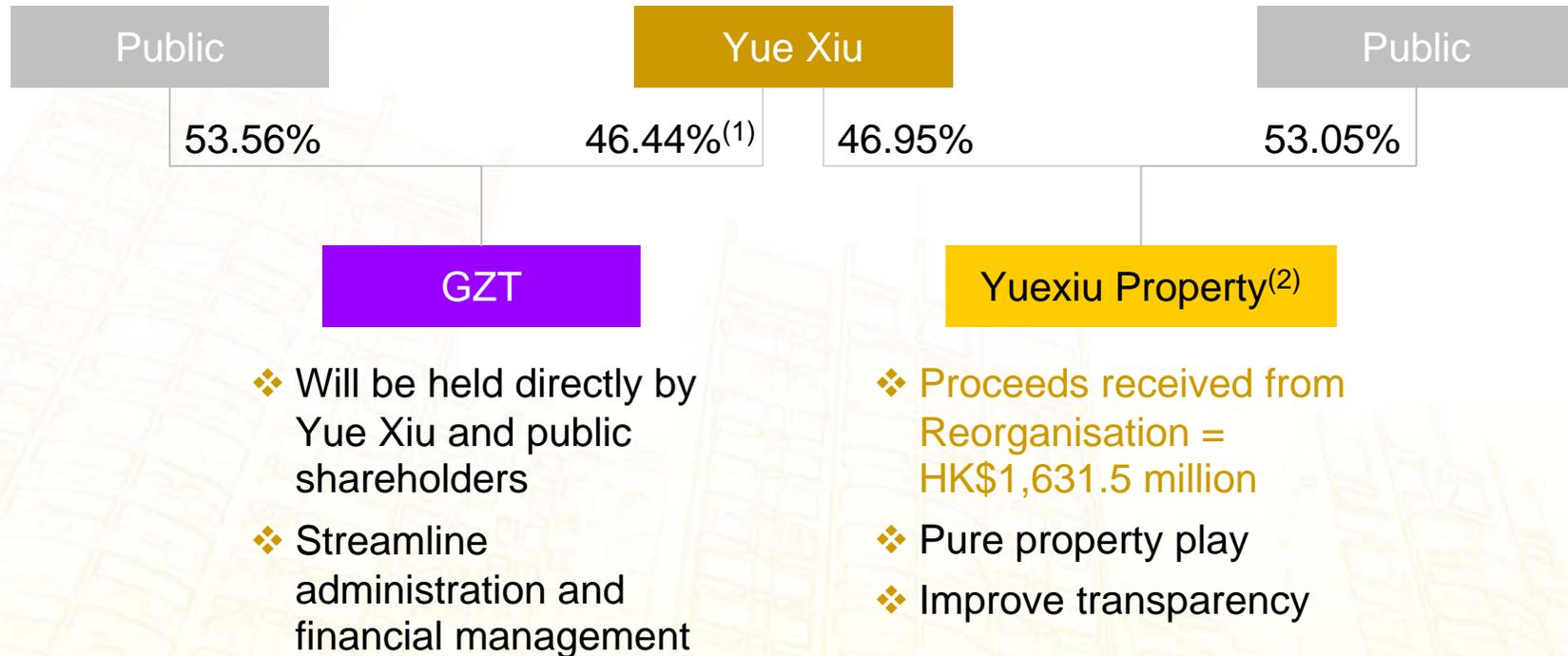
## Shareholding Prior to Reorganisation (1)



1. **Distribution in specie:** 60 GZT Shares for every 2000 GZI Shares held
2. **Share Offer:** 152 Offer Shares for every 2000 GZI Shares at **HK\$3.0** per GZT Share to raise HK\$1.6 bn.

(1) Simplified group structure for illustration only and assuming Inter-Company Distribution and Transfer completed.

# Company Structure Post Reorganisation



(1) Assuming all shareholders receive GZT shares as special dividend and take up their pro-rata GZT shares in the share offer.

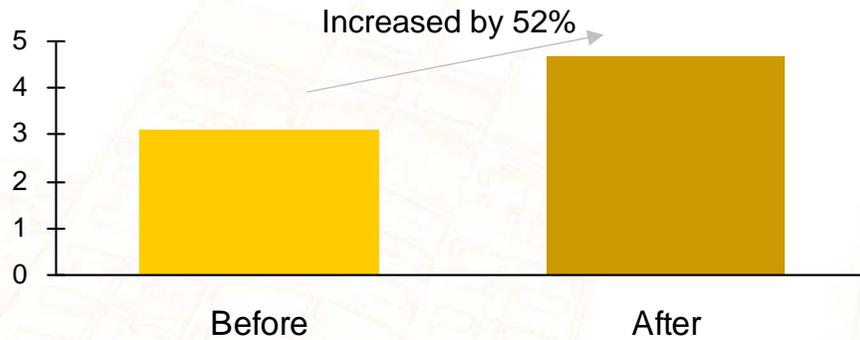
(2) GZT to be renamed as Yuexiu Property Company Limited (subject to shareholders' approval).

# Transaction Rationale

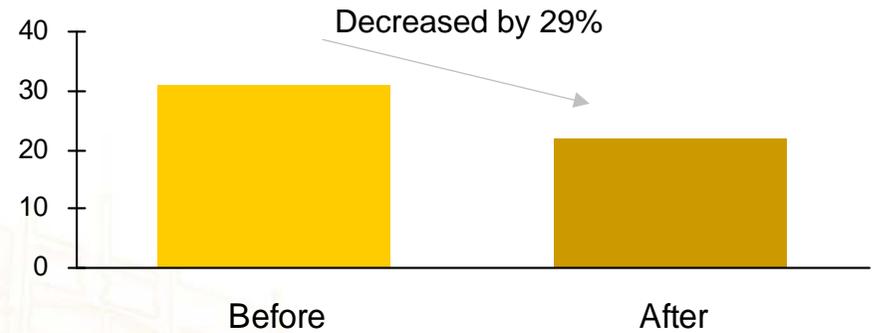
- 1 **Clear Business Focus** – Pure PRC property developer to capitalize on market uptrends
- 2 **Monetising Non-Core Business** – Raise cash without dilution to shareholders, to fund property business
- 3 **Enhancing corporate governance** – Reorganization facilitates higher transparency
- 4 **Streamlining Corporate Structure** – Improve financial and management efficiency
- 5 **Independent Access to Financing** – More efficient financial management and funding allocation at both GZI and GZT

# Financial Impact

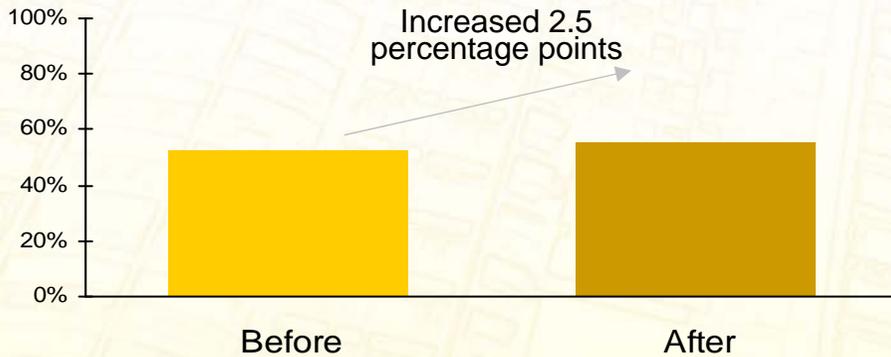
## Available Cash (HK\$ bn)



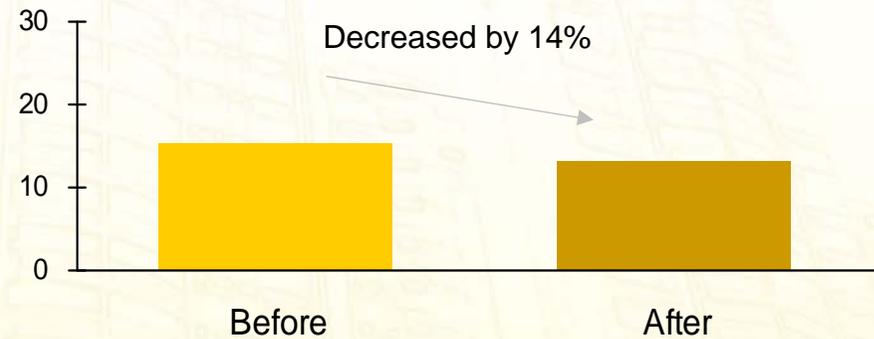
## Total Liability (HK\$ bn)



## Net Gearing



## Net Asset Value (HK\$ bn)



# Potential Concerns and Mitigants

*Why dispose GZT now?*



- ❖ Management's strategic intent to focus on property sector, which has a long-term growth potential
- ❖ The most efficient and cost effective solution
- ❖ No dilution to existing shareholders

*HK\$1.6 bn Loss to GZI?*



- ❖ One-time non-cash accounting loss
- ❖ Due to the difference between book and market value
- ❖ HK\$1.6 bn cash more after reorganisation completed

*Why not distribute 100% of proceeds?*



- ❖ Company is in growth phase and requires cash for its project development
- ❖ Company's intention to monetize assets and reinvest in land acquisition

*Will disposal affect future performance?*



- ❖ Profit contribution from property further increased, accounting 88.3% for 1H2009
- ❖ Cash raised will be used to reinvest in a market with enormous growth potential

## **Key Strategic Initiatives**

- ❖ Replenish and strengthen land bank
- ❖ Improve competitiveness – offer products with higher quality of design, construction and sales service
- ❖ Increase sales and asset turns to generate greater return to shareholders

# ***Business Strategy & Outlook***



## ❖ Booked Sales

- GFA = 169,200 sq. m. (+104%)
- Amount = HK\$1,871 mil. (+94%)
- Gross Profit = HK\$715 mil. (+94%)
- Gross Margin = 38% (unchanged)

# Latest Property Sales (1)

	2009 YTD <sup>(1)</sup>	2009 Target	Target Achievement
GFA (contract sale & preliminary sale) (sq. m.)	476,000	450,000	105.8%
Revenue (contract sale & preliminary sale) (HK\$ mil)	6,200	5,000	123.9%

(1) As at 18 Oct 2009

## Latest Property Sales (2)

	2009 YTD <sup>(1)</sup>	Same period of 2008	Change
GFA (contract sale & preliminary sale) (sq. m.)	476,000	328,800	+44.8%
Revenue (contract sale & preliminary sale) (HK\$ mil)	6,200	4,000	+54.8%

(1) As at 18 Oct 2009

# Operation Highlights (1)

## ❖ Sales and marketing strengthened

- Urban projects: "Starring Winking", "Springland Garden", "Jiang Nan New Mansion", "Ling Nan Riverside" well received by market.
- Suburban projects: "Southern Le Sand", "Cong Hua Glade Village" have strong sales momentum.

## ❖ Development cycle accelerated

- Development cycle (from start construction to launch) reduced to 14-17 months
- Starring Winking-17 months, Springland Garden-15 months, Jiang Nan New Mansion-14 months, Ling Nan Riverside-14 months

## ❖ Pre-lease of "Guangzhou IFC" started

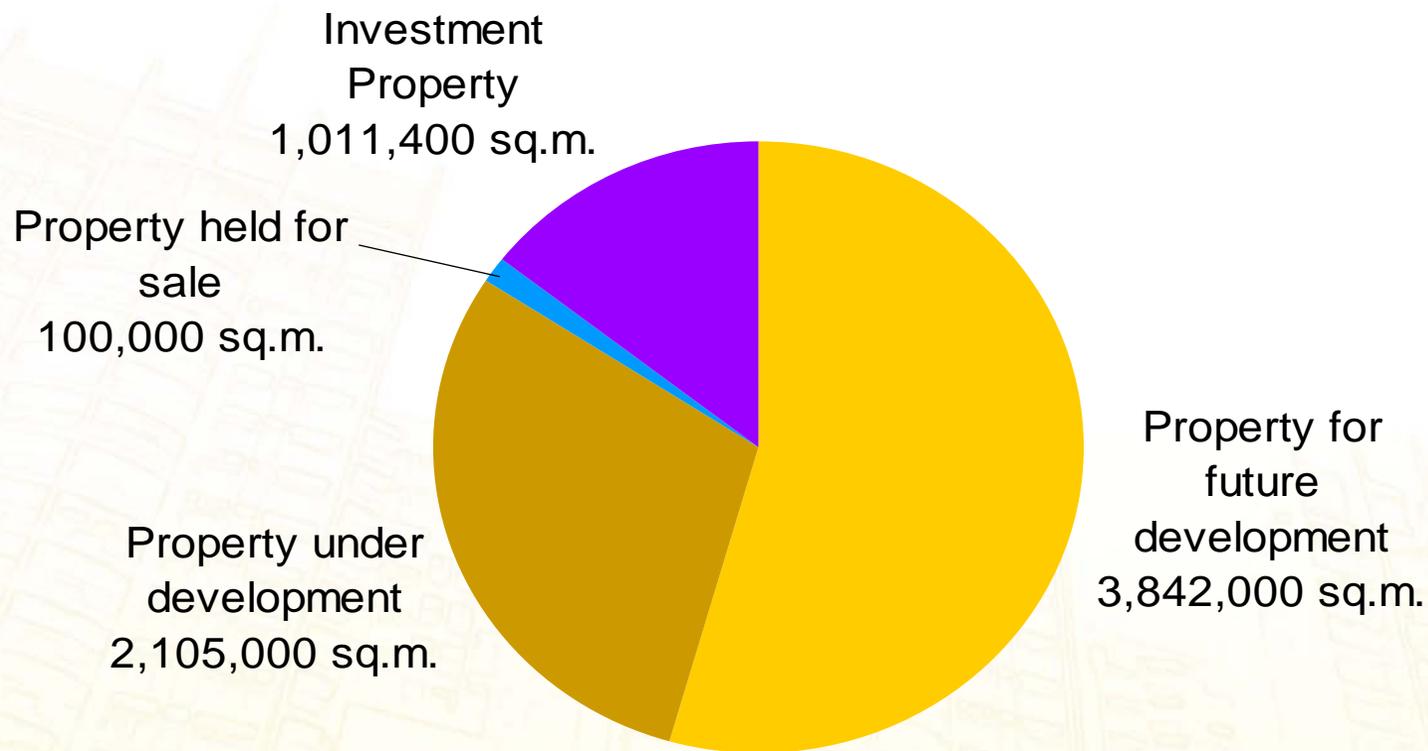
- Teamed up with world class operators (Four Seasons Hotel, CB Richard Ellis, Jones Lang LaSalle)

## Operation Highlights (2)

### ❖ Land bank actively increased

- Added approximately 600,000 sq. m. of residential GFA, representing 17% of properties for future development of 2008 Year End.
  - Jiangmen Properties: 432,000 sq.m. (RMB968 mil.)
  - Pearl River New Town D8-C3: 22,500 sq.m. (RMB345 mil.)
  - University City Sites: 145,300 sq.m. (RMB1,052 mil.)
- Total land premium RMB2.365 bn (RMB3,942 per sq. m.)

# Total GFA of Properties



**Total Land Bank: approximately 7,000,000 sq.m.**

\* As at 18 Oct 2009

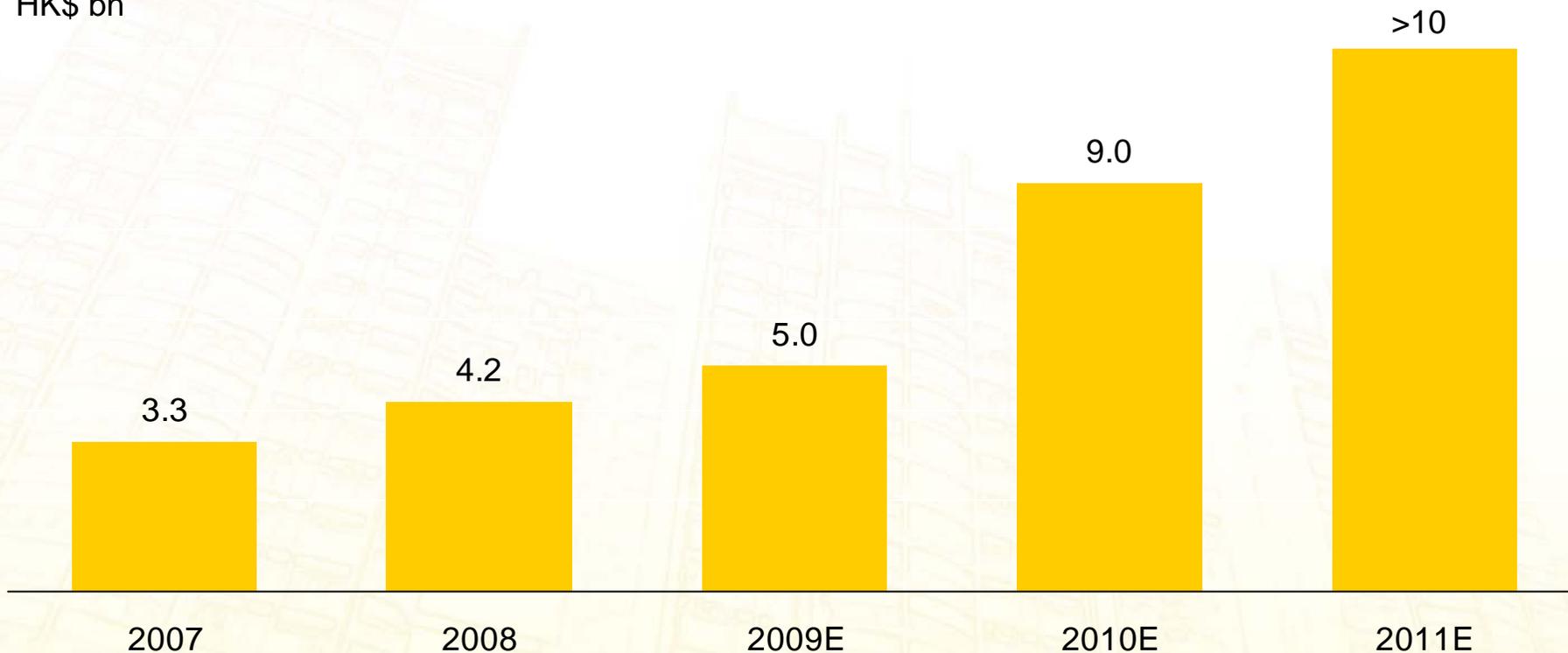
## Strategy & Target (1)

- ❖ Expand business scale to reach sales target of more than HK\$10 bn in three years
- ❖ Increase the land bank annually at 1.5 times of new construction start
- ❖ Shorten development cycle, speed up sales and cash flow return to increase shareholder value
- ❖ Maintain stable operation and returns from investment properties

## Strategy & Target (2)

### 2010 Sales Target

HK\$ bn



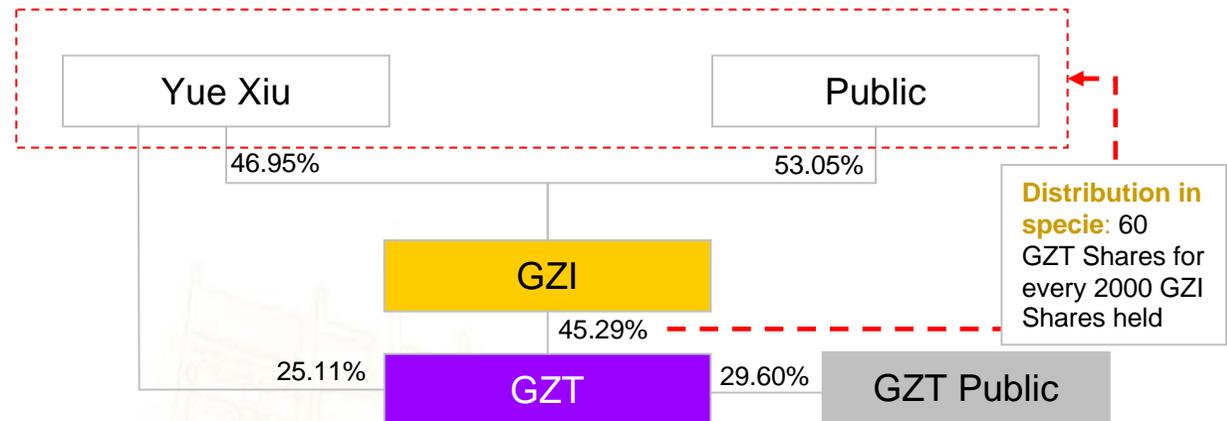
# ***Appendix 1***



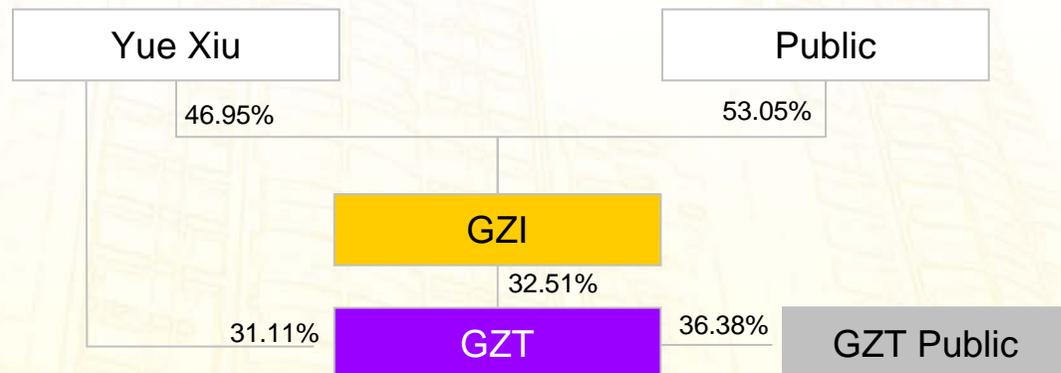
# Reorganisation Details – Step 1: Distribution in Specie of GZT Shares

- ❖ “Special dividend” to GZI Shareholders in form of GZT Shares
- ❖ For every 2000 GZI Shares held, you will get 60 GZT Shares
- ❖ Shareholders also have an option to vote for cash dividend of HK\$ 3 for each GZT share of their entitlement
- ❖ Total distribution amount in dollar terms will be approximately HK\$641.6 million<sup>(2)</sup>

## Shareholding Prior to Distribution in Specie



## Shareholding Subsequent to Distribution in Specie <sup>(1)</sup>

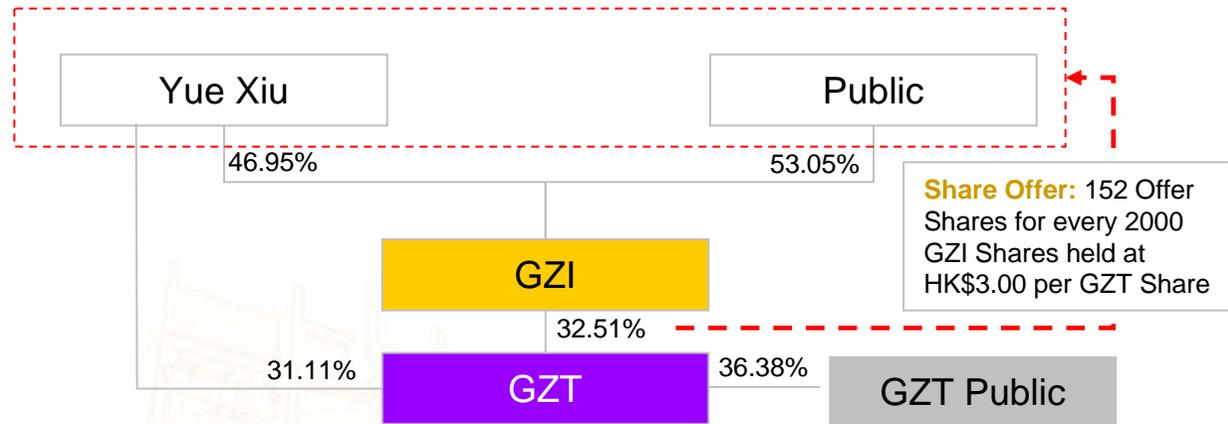


(1) Assuming there are no Undistributed GZT Shares.  
(2) Based on HK\$3.00 per GZT Share.

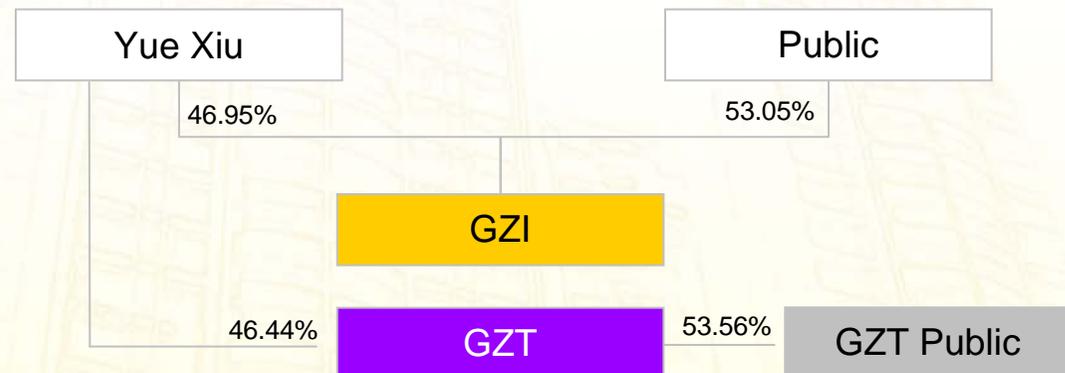
# Reorganisation Details – Step 2: Share Offer

- ❖ Share Offer to GZI  
Shareholders at 152 Offer Shares for every 2000 GZI Shares you held (or 184 if all non-Yue Xiu shareholders vote for cash payment)
- ❖ Offer Price = HK\$3.0 per Offer Share
- ❖ Yue Xiu will take up its pro rata entitlement and will underwrite the Share Offer

## Shareholding Subsequent to Step 1 (1)



## Shareholding Subsequent to Share Offer (2)



- (1) Assuming there are no Undistributed GZI Shares  
 (2) Assuming there are no Undistributed GZI Shares and all Qualifying Shareholders have accepted the Offer Shares

# *Expected Timetable*

## Key Events

## Expected Date

Announcement

October 20

Circular to GZI Shareholders

Early November

EGM to approve Reorganisation

End of November – early December

Distribution in specie

December

Despatch Share Offer prospectus and offer opens

December

Reorganisation completes

By end of December

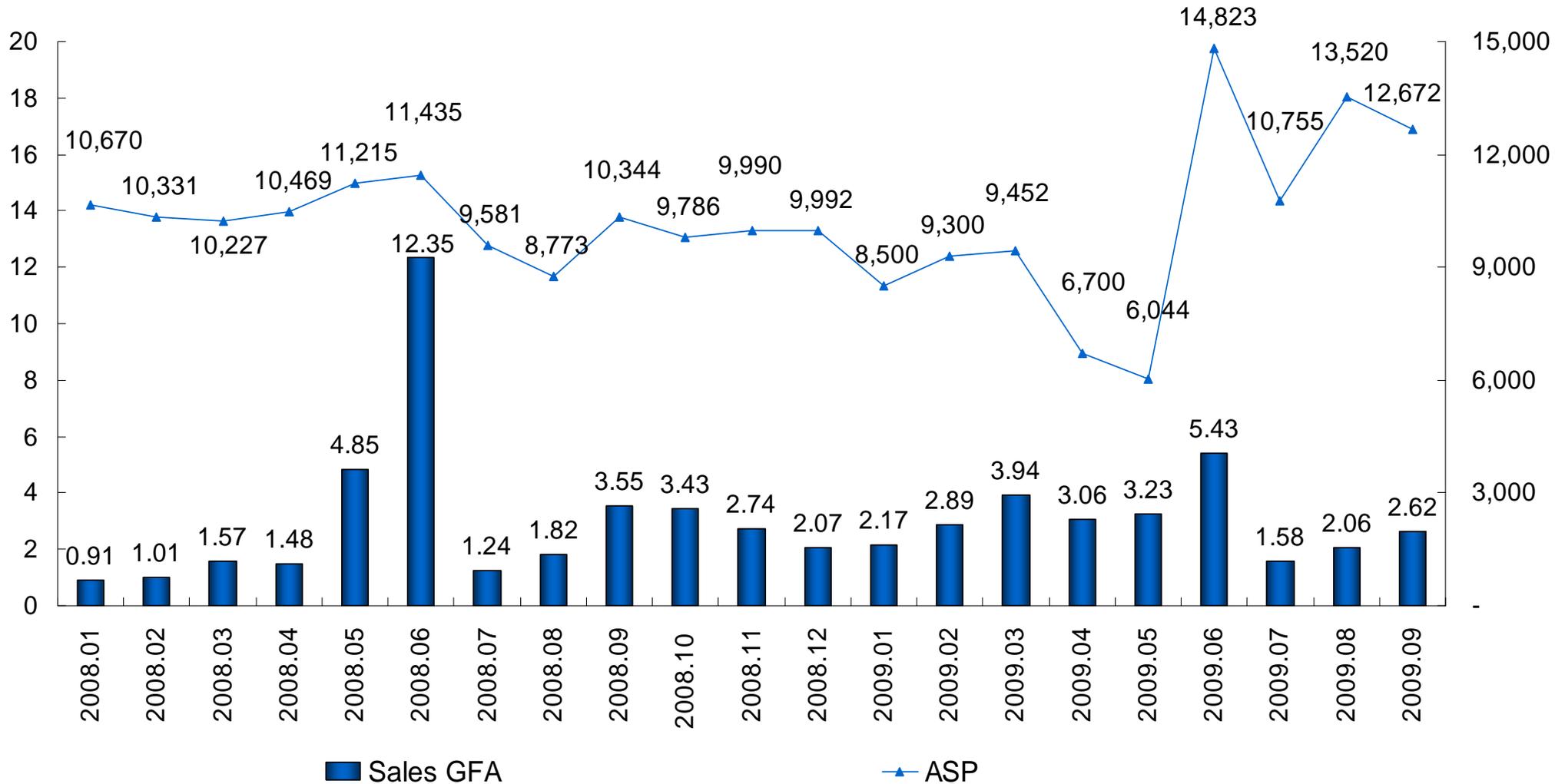
# ***Appendix 2***



# Monthly Sales of GZI

'0000 sq.m.

RMB/sq.m.



## Latest Property Sales of 2009 – contract sale & preliminary sale

Projects	Land Use	GFA (sq.m.)	Total (HK\$ mil)	ASP (HK\$/sq.m.)
Glade Village	Low-rise Apartment/villa	70,200	416	5,900
Ling Nan Ya Yuan	Residential	21,600	177	8,200
Rayon Jardin	Residential	36,000	522	14,500
Southern Le Sand	Low-rise Apartment/villa	98,400	640	6,500
Springland Garden	Residential	66,500	978	14,700
Starry Winking	Residential	63,600	1,511	23,800
Jiang Nan New Mansion	Residential	50,800	895	17,600
Ling Nan Riverside	Residential	34,800	549	15,700
Other Projects	N/A	34,100	506	14,800
<b>Total</b>		<b>476,000</b>	<b>6,200</b>	<b>13,000</b>

\* As at 18 Oct 2009



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# Major Projects Location Map - Guangzhou



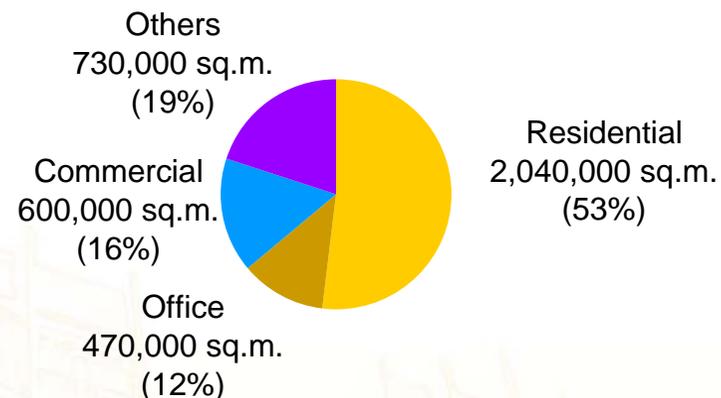
## Newly Acquired Land Bank in 2009

Projects	Land Use	GFA (sq.m.)	Total (RMB mil)	AV (RMB/sq.m.)
Jiangmen Property I	Residential	232,762	476	2,045
Jiangmen Property II	Residential	199,330	492	2,468
D8-C3, Pearl River New City, Guangzhou	Residential	22,514	345	15,324
University Property I, Guangzhou	Residential	49,652	355	7,150
University Property II, Guangzhou	Residential	37,006	270	7,296
University Property III, Guangzhou	Residential	32,067	223	6,954
University Property IV, Guangzhou	N/A	26,592	204	7,671
<b>Total</b>		<b>599,923</b>	<b>2,365</b>	<b>3,942</b>

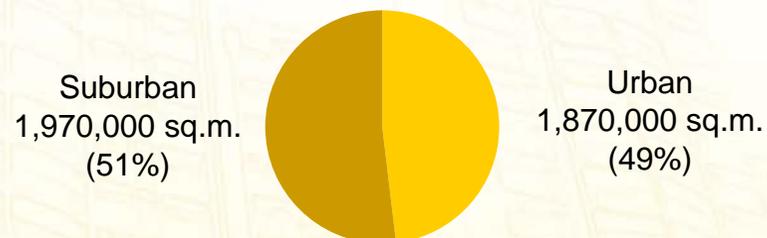
# Properties for Future Development

Major Projects	GFA (sq.m.)
Southern Le Sand	1,818,000
Jiangmen Properties	432,000
Jin Sha Zhou	425,000
Pearl River New City Sites	369,000
Jiang Nan New Village phase 3&4	144,000
Sports Stadium Building	125,000
Fortune World Plaza	106,000
Hua Du Plot	91,000
Glade Village	67,000
Yau Tong Plot	59,000
University City Properties	146,000
Other Projects	60,000
<b>Total</b>	<b>3,842,000</b>

## By Land Use



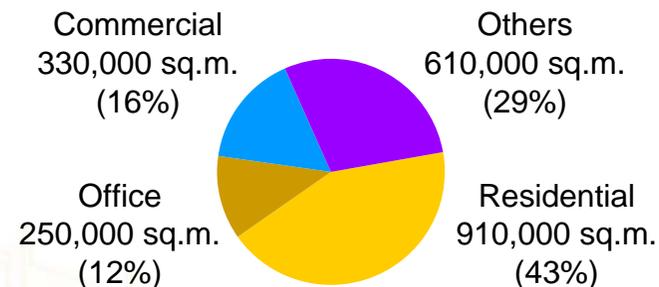
## By Region



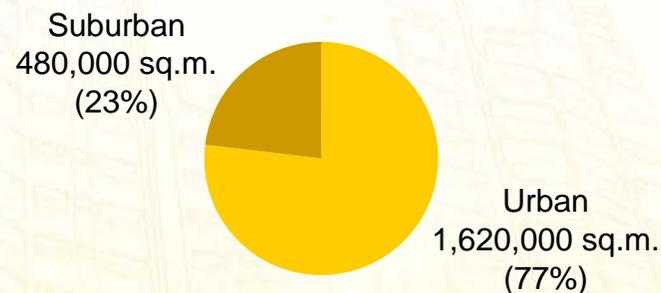
# Properties under Development

Major Projects	GFA (sq.m.)
Southern Le Sand	400,000
Asia Pacific Century Plaza	232,000
Jiang Nan New Mansion	229,000
Springland Garden	220,000
Ling Nan Riverside	211,000
Fortune World Plaza	210,000
Starring Winking	186,000
Guangzhou IFC	142,000
Rayon Jardin	111,000
Glade Village	86,000
Other Projects	78,000
<b>Total</b>	<b>2,105,000</b>

## By Land Use



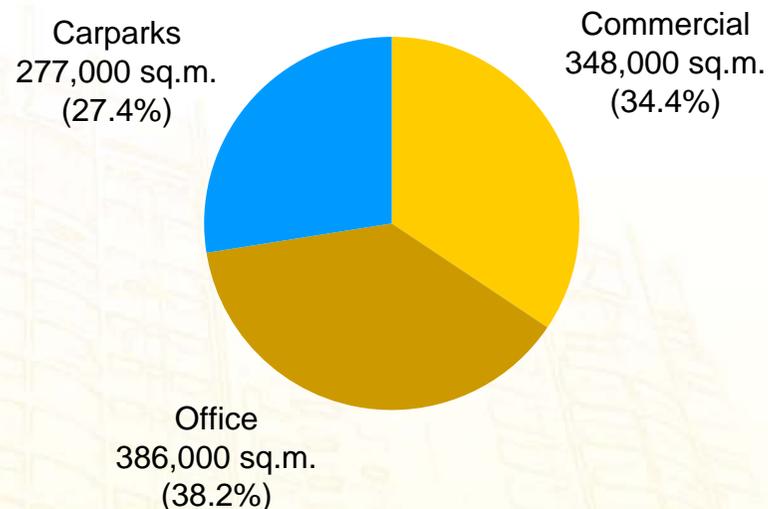
## By Region



# Investment Properties

Major Projects	GFA (sq.m.)
Guangzhou IFC	256,900
Popark Plaza	85,000
Jin Han Building	45,800
Hong Kong Property	38,000
Guang Yuan Cultural Centre	32,000
Huang Shi Garden	30,900
Xiangkang Commercial Plaza	28,900
Victory Plaza	26,000
Jiang Xing Building	17,900
Yue Xiu City Plaza	17,500
Hong Fa Building	17,300
Other Projects (include carparks)	415,200
<b>Total</b>	<b>1,011,400</b>

## By Land Use



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