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GUANGDONG INVESTMENT LIMITED
(粵海投資有限公司)
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0270)

DISCLOSEABLE TRANSACTION

The Board is pleased to announce that on 10 January 2012, Tianhecheng Investco (a non-wholly owned subsidiary of the Company) received a notification issued by GEMAS that Tianhecheng Investco's bid for a 68% equity interest in Project Co in the Auction was successful. Tianhecheng Investco has entered into the Cooperation Agreement and Project Co Articles with SOE Vendor in relation to Project Co.

As certain of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) for the transactions under the Cooperation Agreement are more than 5% but less than 25% and the consideration involved will be more than HK\$1,000,000, the same constitute a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements thereunder.

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THE COOPERATION AGREEMENT AND THE PROJECT CO ARTICLES

Parties

- (1) SOE Vendor; and
- (2) Tianhecheng Investco

According to the documents published in relation to the Auction, SOE Vendor is a State-owned enterprise principally engaged in investment in information technology projects, computer information technology services (excluding computer information technology integration), property leasing and property management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SOE Vendor is a third party independent of the Company and its connected persons.

Payment terms

Project Co is currently wholly owned by SOE Vendor with a registered capital of RMB3,000,000 contributed by SOE Vendor as to RMB1,000,000 in cash and RMB2,000,000 by way of injection of the Land (with a stated value of RMB1,123,220,000) to Project Co, the excess of the said value of the Land over the said registered capital constitutes the capital reserve (資本公積) of Project Co.

Pursuant to the Cooperation Agreement and the Project Co Articles, the registered capital of Project Co shall be increased to RMB230,000,000 to be held by SOE Vendor as to 32% and Tianhecheng Investco as to 68% of such enlarged registered capital of Project Co, respectively.

The said increase in registered capital will be contributed by the parties as follows:

- (a) as to the amount of RMB73,600,000 by SOE Vendor to be derived from the abovementioned value of the Land; and
- (b) as to the amount of RMB156,400,000 by Tianhecheng Investco in cash,

and the capital reserve in the amount of RMB2,685,220,000 will be contributed as follows:

- (a) as to the amount of RMB1,049,620,000 by SOE Vendor (being the difference of the value of the Land and the contribution by SOE Vendor to the registered capital of Project Co); and
- (b) as to the amount of RMB1,635,600,000 by Tianhecheng Investco in cash.

The said contributions by Tianhecheng Investco, in the aggregate amount of RMB1,792,000,000 (the "**Auction Price**"), shall be settled in cash in the following manner:

- (1) a deposit in the amount of RMB50,000,000 has been paid by Tianhecheng Investco to the GEMAS on 30 December 2011 which, after deduction of an auction fee (the "**Auction Fee**") to GEMAS in the amount of RMB 2 million, will be deemed as part of the Auction Price;
- (2) the contribution to registered capital of Project Co in the amount of RMB108,400,000 shall be paid to Project Co within five business days after the date of the Cooperation Agreement;

- (3) the remainder of the Auction Price in the amount of RMB1,635,600,000 shall be settled as follows:
- (i) RMB202,000,000 shall be paid within 12 months after the date of the Cooperation Agreement;
 - (ii) RMB537,600,000 shall be paid within 24 months after the date of the Cooperation Agreement;
 - (iii) RMB537,600,000 shall be paid within 36 months after the date of the Cooperation Agreement;
 - (iv) RMB179,200,000 shall be paid within 48 months after the date of the Cooperation Agreement; and
 - (v) RMB179,200,000 shall be paid within 60 months after the date of the Cooperation Agreement.

In addition to the Auction Price, Tianhecheng Investco have paid the Auction Fee to GEMAS by way of deduction under item (1) above, and it is estimated that a further land premium in the amount of approximately RMB300 million will be payable by Project Co, which will be contributed by SOE Vendor and Tianhecheng Investco on a 50:50 basis. Accordingly, Tianhecheng Investco's contribution to the same will be approximately RMB150 million.

Based on the above, the aggregate amount to be invested by Tianhecheng Investco in relation to Project Co is estimated to be approximately RMB1,944 million (being the aggregate of the Auction Price, the Auction Fee and Tianhecheng Investco's contribution to the abovementioned land premium).

Pursuant to the Cooperation Agreement, within five business days after the receipt of Tianhecheng Investco's contribution to the registered capital of Project Co, Project Co shall repay SOE Vendor (i) a loan from SOE Vendor to Project Co in the amount of RMB33,696,600 (for the payment of stamp duty in respect of the transfer of the Land by SOE Vendor to Project Co); and (ii) a cash payment of RMB1 million (being the return of the excess original cash contribution by SOE Vendor to the registered capital of Project Co after the injection of the Land by SOE Vendor to Project Co. SOE Vendor's original contribution to the registered capital of Project Co made prior to the abovementioned increase in the registered capital was replaced by the corresponding value of the Land, therefore Project Co shall return such excess original cash contribution to the SOE Vendor). Project Co shall pay certain consultation fee for the preliminary development and management of the Land to SOE Vendor at the rate of RMB80 per sqm of the gross floor area of the Properties.

Basis for the determination of consideration

As the Group acquires the Equity through the Auction, the Auction Price was determined after the Group went through the Auction process, and it was the same as the reserve price (i.e. minimum price) of the Auction, being RMB1,792,000,000.

The Group has also considered the value of the Land, being the sole asset of Project Co, of RMB1,125 million (or RMB1,425 million after the payment of the abovementioned land premium value) according to the valuation report compiled by Vigers Appraisal & Consulting Limited, an independent professional valuer appointed by the Company.

It is anticipated that the said amount of RMB1,944 million will be made up of (i) the said registered capital of Tianhecheng Investco in the amount of RMB400 million, and (ii) pro rata shareholders' loans to Tianhecheng Investco as to RMB1,544 million.

Other terms of the Cooperation Agreement

Tianhecheng Investco will procure Project Co to transfer 32% of the completed properties on the Land excluding the Shopping Centre (as defined below) (with parking spaces) to SOE Vendor in exchange for the portion of SOE Vendor's equity interest in Project Co of the same value.

GUARANTEE

The SOE Vendor, Tianhecheng Investco, Guangdong Teem (being direct holder of 60% of Tianhecheng Investco) and Yuehai Investment (being direct holder of 40% of Tianhecheng Investco) have also entered into a guarantee on 10 January 2012 pursuant to which each of Guangdong Teem and Yuehai Investment shall guarantee the obligation of Tianhecheng Investco to pay the Auction Price under the Cooperation Agreement in proportion to their respective interest in Tianhecheng Investco on a several basis.

INFORMATION ON PROJECT CO

Project Co is a company established in the PRC on 25 May 2011. It owns the Land situated at the east to 中國廣州市番禺區南村鎮里仁洞村迎賓路東側 (Yingbin Road, Lirendong Village, Nancun Zhen, Panyu District, Guangzhou City, the PRC*) with an aggregate area of approximately 52,801.30 sqm with the land use purpose of commerce and finance. Pursuant to the Cooperation Agreement, Project Co shall develop a large-scale integrated commercial project ("**Property Project**") on the Land, expected to comprise (i) a shopping centre ("**Shopping Centre**") with a gross floor area of not less than 100,000 sqm, (ii) certain offices with a gross floor area of not less than 110,000 sqm, (iii) certain shops with a gross floor area of not less than 40,000 sqm, and (iv) parking spaces and ancillary facilities, which shall be the principal business of Project Co, subject to the approval by the relevant authority in the PRC, with an aggregate gross floor area of not less than 250,000 sqm.

For the period since its establishment on 25 May 2011 to 30 November 2011, the unaudited net loss before and after tax (prepared based on 中國企業會計準則 (China Accounting Standards for Business Enterprises) of Project Co were both RMB669,517.51.

As at 30 November 2011, the unaudited net asset value of Project Co was RMB1,123,550,482.49.

INFORMATION ON THE GROUP

The Company is principally engaged in investment holding, property holding and investment, investing in infrastructure and energy projects, water supply to Hong Kong and Shenzhen and Dongguan, hotel ownership and operations, hotel management and department stores operation.

Tianhecheng Investco is an indirect subsidiary owned as to 60% by the Company through Guangdong Teem and is principally engaged in investment and development of properties in the PRC. For details of the formation of Tianhecheng Investco, please refer to the announcement of the Company dated 14 October 2011.

REASONS FOR AND BENEFIT OF THE INVESTMENT

The Group is principally engaged in, *inter alia*, water supply to Hong Kong, Shenzhen and Dongguan, property holding and investment in the PRC and, through Tianhecheng Investco and Project Co, is expected to participate in large scale integrated property development project, including the development of shopping malls and commercial residential units, as and when the opportunity arises. The Land is well located in 番禺萬博中央商務區 (Panyu Wanbo Central Business District*), which is expected to be a growing commercial area in Guangzhou. With good external economic conditions, prominent transportation advantage and a stable market foundation, it offers substantial potential for development to the Group.

Taking into account the above, the Directors (including the independent non-executive Directors) consider that the transactions under the Cooperation Agreement is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) for the transactions under the Cooperation Agreement are more than 5% but less than 25% and the consideration involved will be more than HK\$1,000,000, the same constitute a discloseable transaction of the Company under the Listing Rules and are subject to the reporting and announcement requirements thereunder.

DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

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| “Auction” | the promotion of business and investment (招商引資) in relation to the Property Project through the auction process for the Equity; |
| “Auction Fee” | has the meaning ascribed to it under the section headed “The Cooperation Agreement and the Project Co Articles – Payment terms” in this announcement; |

“Auction Price”	the contributions by Tianhecheng Investco in Project Co under the Cooperation Agreement in the aggregate amount of RMB1,792,000,000;
“Board”	the board of Directors;
“Company”	Guangdong Investment Limited, a company incorporated in Hong Kong with its shares listed on the main board of the Stock Exchange;
“Cooperation Agreement”	the cooperation agreement to be entered into between Tianhecheng Investco and SOE Vendor in relation to Project Co;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Equity”	68% of the registered capital of Project Co in the amount of RMB156,400,000 as enlarged by the increase in its capital by SOE Vendor and Tianhecheng Investco pursuant to the Cooperation Agreement;
“GEMAS”	廣州產權交易所 (Guangzhou Enterprises Mergers and Acquisitions Services*);
“Group”	the Company and its subsidiaries from time to time;
“Guangdong Teem”	廣東天河城(集團)股份有限公司 (Guangdong Teem (Holdings) Limited*), a company established in PRC and a subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Land”	a piece of land situated at 中國廣州市番禺區南村鎮里仁洞村迎賓路東側 (the east to Yingbin Road, Lirendong Village, Nancun Zhen, Panyu District, Guangzhou City, the PRC*) owned by Project Co
“Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange;
“PRC”	the People's Republic of China;
“Project Co”	廣州市萬亞投資管理有限公司 (Guangzhou City Wanye Investment Management Company Limited*), a company established in the PRC;

“Project Co Articles”	the articles of association of Project Co to be entered into by Tianhecheng Investco and SOE Vendor;
“Property Project”	has the meaning ascribed to it under the section headed “Information on Project Co” in this announcement;
“Properties”	the properties to be constructed on the Land pursuant to the Property Project;
“RMB”	the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company
“Shopping Centre”	has the meaning ascribed to it under the section headed “Information on Project Co” in this announcement;
“SOE Vendor”	廣州市番禺資訊技術投資發展有限公司 (Guangzhou City Panyu Information Technology Investment Development Company Limited*), a State-owned enterprise;
“sqm”	square metres;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tianhecheng Investco”	廣州天河城投資有限公司 (Guangzhou Tianhecheng Investment Co., Ltd.*), a company established in PRC and indirectly owned as to 60% by the Company;
“Yuehai Investment”	廣東粵海投資開發有限公司 (Guangdong Yuehai Investment Development Co., Ltd.*), a company established in the PRC and a connected person of the Company; and
“%”	per cent.

* The English translation of the Chinese name of the relevant company included in this announcement is prepared by the Company for reference only, and such translation may not be accurate and such company may not have an official English translation/version of its Chinese name.

By the Order of the Board
Huang Xiaofeng
Chairman

Hong Kong, 10 January 2012

As at the date of this announcement, the Board comprises three Executive Directors, Mr. HUANG Xiaofeng, Mr. ZHANG Hui and Mr. TSANG Hon Nam; seven Non-Executive Directors, Dr. CHENG Mo Chi, Moses, Mr. WU Jianguo, Ms. XU Wenfang, Mr. Li Wenyue, Mr. LI Wai Keung, Mr. SUN Yingming and Ms. ZHAO Chunxiao; and three Independent Non-Executive Directors, Dr. CHAN Cho Chak, John, Dr. the Honourable LI Kwok Po, David and Mr. FUNG, Daniel R.