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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)



越秀交通有限公司
GZI Transport Limited
(Incorporated in Bermuda with limited liability)
(Stock code: 1052)

DISCLOSEABLE TRANSACTION

MAJOR TRANSACTION

JOINT ANNOUNCEMENT

ENTERING INTO OF THE EQUITY TRANSFER AGREEMENT FOR THE ACQUISITION OF INTEREST IN GUANGZHOU NORTHERN SECOND RING EXPRESSWAY CO., LTD.

Financial Adviser To GZI Transport Limited



Reference is made to the First Joint Announcement made by GZI and GZT on 14 November 2006. Subsequent to the First Joint Announcement, the boards of GZI and GZT are pleased to announce that Bentfield has entered into the Equity Transfer Agreement with Guangzhou Development Infrastructure on 20 November 2006 pursuant to the Acceptance Notice served on Guangzhou Development Infrastructure on 14 November 2006. Upon completion of the Equity Transfer Agreement, GZT will, through Bentfield, own an aggregate interest of 60% in GNSR Expressway Co., Ltd., and GNSR Expressway Co., Ltd. will become a non wholly-owned subsidiary of GZT. The only asset of GNSR Expressway Co., Ltd. is the GNSR Expressway. The consideration payable for the Acquisition is RMB666,200,000 (i.e., approximately HK\$659,603,960).

The Acquisition constitutes a discloseable transaction for GZI and a major transaction for GZT under Chapter 14 of the Listing Rules. The Acquisition is, therefore, subject to the approval of the shareholders of GZT. To the best of the knowledge, information and belief of the directors of both GZI and GZT, having made all reasonable enquiries, Guangzhou Development Infrastructure and its ultimate owners are Independent Third Parties. On this basis, no shareholder of GZT has a material interest in the Acquisition and, hence, no shareholder of GZT should be required to abstain from voting on the resolution to approve the Acquisition. Since no shareholder of GZT is required to abstain from voting, GZT has obtained written approval for the Acquisition from GZI which is interested in approximately 67.25% of the issued share capital of GZT, in lieu of holding the relevant general meeting, pursuant to Rule 14.44(2) of the Listing Rules.

A circular containing, among other things, the details of the Acquisition, the Equity Transfer Agreement and the independent business valuation and traffic forecast of GNSR Expressway will be despatched to the shareholders of GZI and GZT, respectively, as soon as practicable and in accordance with the provisions of the Listing Rules.

1. BACKGROUND

Subsequent to the First Joint Announcement, and pursuant to the Offer Notice, Bentfield served the Acceptance Notice on Guangzhou Development Infrastructure on 14 November 2006. On 16 November 2006, Bentfield received the Transferee Confirmation Result Notice from the Guangzhou Asset and Equity Exchange confirming Bentfield as the sole transferee for the 20% equity interest in GNSR Expressway Co., Ltd. On 20 November 2006, Bentfield entered into the Equity Transfer Agreement in accordance with the terms and conditions of the Offer Notice.

Upon completion of the Acquisition, GZT will, through Bentfield, own an aggregate interest of 60% in GNSR Expressway Co., Ltd., and GNSR Expressway Co., Ltd. will become a non wholly-owned subsidiary of GZT. There are no restrictions on the subsequent sale of the equity interest in GNSR Expressway Co., Ltd., save for the pre-emption right as set out in the JV Agreement and the articles of association of GNSR Expressway Co., Ltd. The only asset of GNSR Expressway Co., Ltd. is the GNSR Expressway.

2. THE EQUITY TRANSFER AGREEMENT

The following is a summary of the terms and conditions of the Equity Transfer Agreement:

Date

20 November 2006

Parties

- (1) Bentfield (as purchaser)
- (2) Guangzhou Development Infrastructure (as vendor)

The directors of GZI confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, Guangzhou Development Infrastructure and its ultimate beneficial owner are Independent Third Parties. The directors of GZT also confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, Guangzhou Development Infrastructure and its ultimate beneficial owner are Independent Third Parties.

Consideration

The Consideration payable for the Acquisition is RMB666,200,000 (i.e., approximately HK\$659,603,960). 20% of the Consideration will be payable as deposit within three days of signing of the Equity Transfer Agreement while the balance of the Consideration will be payable within five days of attaining the relevant regulatory authority's approval of the equity transfer. The Consideration is payable by way of fund transfer to Guangzhou Development Infrastructure's designated bank account.

The Consideration is based upon the highest price tendered by an independent third party in an auction held for Guangzhou Development Infrastructure's 20% equity interest in GNSR Expressway Co., Ltd. As stated in the business valuation report prepared by Greater China dated 14 November 2006, the fair value of GNSR Expressway Co., Ltd. is RMB3,366,300,000 (i.e., approximately HK\$3,332,970,297) as at 16 October 2006, and the fair value of Guangzhou Development Infrastructure's 20% equity interest in GNSR Expressway Co., Ltd. is estimated to be RMB673,260,000 (i.e., approximately HK\$666,594,059).

The GZT Group has arranged for external loan financing to cover up to approximately 75.8% of the Consideration. The GZT Group will use its internal resources to fund the remaining 24.2% of the Consideration.

The GZT Group is currently in discussion with its bank for a new secured term loan of up to HK\$500,000,000. The offer of the term loan is subject to acceptable documentation and satisfaction of certain other conditions. The GZT Group is currently finalising the terms of the term loan with the bank and the Directors are confident that the term loan will be obtained on acceptable terms.

Conditions

If the deposit is not paid in full to Guangzhou Development Infrastructure's designated bank account within three days of signing of the Equity Transfer Agreement, Bentfield shall be deemed to be in breach of the contract, and shall be liable to pay default penalty to Guangzhou Development Infrastructure at a daily rate of 0.1% of the unpaid amount of the deposit. If such an amount remains outstanding for more than 10 days, Bentfield shall be deemed to have waived its rights under the Equity Transfer Agreement, and Guangzhou Development Infrastructure shall have the right to forfeit the deposit and the Equity Transfer Agreement shall terminate. Upon termination, neither Bentfield nor Guangzhou Development Infrastructure shall have any rights or obligations under the Equity Transfer Agreement (save for claims in respect of antecedent breaches). The deposit shall be refunded to Bentfield without interest if the Equity Transfer Agreement is terminated for any of the reasons listed in the paragraph headed "Termination" below.

Termination

The Equity Transfer Agreement may also be terminated:

- (1) if a force majeure event occurs;
- (2) by mutual agreement of the parties;
- (3) by the exercise by other equity holders of GNSR Expressway Co., Ltd. (other than Bentfield) of their pre-emption right under the JV Agreement; or

- (4) the relevant regulatory's approval of the equity transfer is not obtained within one year of signing of the Equity Transfer Agreement or registration of the equity transfer is not completed by the relevant authorities within one year of signing of the Equity Transfer Agreement.

Since the period within which the pre-emption right may be exercised by other equity holders of GNSR Expressway Co., Ltd. to acquire Guangzhou Development Infrastructure's 20% equity interest in the joint venture pursuant to the Offer Notice has lapsed on 16 November 2006, and the Guangzhou Asset and Equity Exchange has by the Transferee Confirmation Result Notice confirmed that Bentfield was entitled to the transfer of the entire 20% equity interest in GNSR Expressway Co., Ltd., the Equity Transfer Agreement will not be terminated for the reason set out in (3) above.

The Company understands that the relevant regulatory's approval in (4) above refers to the approval from the Department of Foreign Trade and Economic Cooperation of Guangdong Province for the approval of the equity transfer and the registration of the equity transfer is with the Guangzhou Administration for Industry and Commerce.

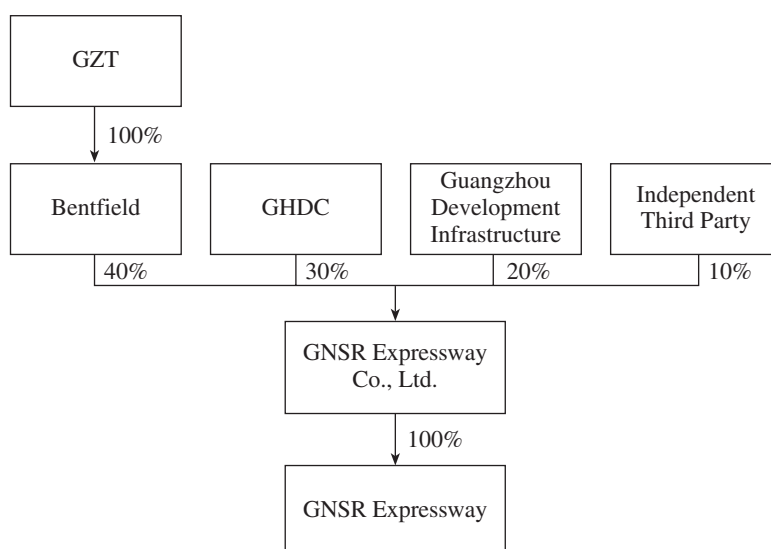
Completion

Completion shall take place on the date of completion of registration of the transfer of the equity interest by the Guangzhou Administration for Industry and Commerce.

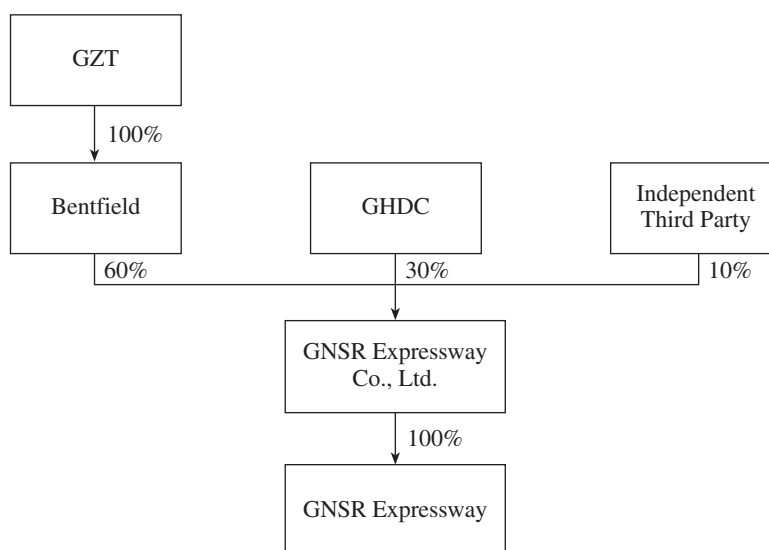
Equity Holding Structure before and immediately after the Acquisition

The following charts show the equity holding structures of GNSR Expressway Co., Ltd. before, and immediately after, completion of the Acquisition:

- (i) *Before completion of the Acquisition*



(ii) *Immediately after completion of the Acquisition*



GNSR Expressway Co., Ltd. is currently accounted for in GZT Group's accounts as a jointly controlled entity under the equity accounting method, however, it will be consolidated as a subsidiary of GZT after the completion of the Acquisition.

3. INFORMATION ON GNSR EXPRESSWAY CO., LTD.

GNSR Expressway Co., Ltd. is a sino-foreign joint venture company established in the PRC, which is currently owned as to 40% by Bentfield, as to 30% by GHDC, as to 20% by Guangzhou Development Infrastructure, and as to 10% by an Independent Third Party. Pursuant to the JV Agreement and the articles of association of the GNSR Expressway Co., Ltd., GNSR Expressway Co., Ltd.'s dividend is shared among its equity holders in proportion to their respective equity interests in the company.

GNSR Expressway Co., Ltd. was owned as to 51% by Bentfield and as to 49% by GHDC when it was established in 1996. On various dates in 1997 and 1998, GHDC disposed of 30% of its equity interest in GNSR Expressway Co., Ltd. to two Independent Third Parties. Guangzhou Development Infrastructure acquired its 20% equity interest in GNSR Expressway Co., Ltd. on 16 May 2000 from one of the Independent Third Parties. Immediately before 29 December 2005, GNSR Expressway Co., Ltd. was owned as to 46% by Bentfield, as to 24% by GHDC, as to 20% by Guangzhou Development Infrastructure and as to the remaining 10% by an Independent Third Party. Bentfield entered into a sale and purchase agreement with GHDC on 29 December 2005, pursuant to which, Bentfield agreed to sell and GHDC agreed to purchase, a 6% equity interest in GNSR Expressway Co., Ltd.

As at the date of this announcement, the only asset of GNSR Expressway Co., Ltd. is GNSR Expressway. GNSR Expressway is a six-lane 42.4 km expressway with nine toll stations. It provides connections to 11 provincial, national highways and expressways to the north of Guangzhou. GNSR Expressway was completed in 2001, and commenced toll collection in January 2002.

Based on the unaudited management accounts of GNSR Expressway Co., Ltd., the turnover, net profit before and after taxation for the two financial years ended 31 December 2004 and 2005 and for the six months ended 30 June 2006, all prepared in accordance with the Hong Kong Financial Reporting Standards, were as follows:

	For the financial year ended 31 December,		For the six months ended 30
	2004	2005	June 2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	209,356	279,863	160,420
Profit before taxation	31,885	112,929	82,034
Profit after taxation	25,515	92,836	68,023
Non-current assets	2,443,370	2,386,433	2,365,083
Current assets	19,625	14,421	15,390
Current liabilities	643,248	445,221	211,806
Non-current liabilities	1,000,000	1,043,050	1,188,061
Equity	819,747	912,583	980,606

4. INFORMATION ON GUANGZHOU DEVELOPMENT INFRASTRUCTURE

Guangzhou Development Infrastructure is a wholly-owned subsidiary of 廣州發展實業控股集團股份有限公司 (Guangzhou Development Enterprises Holdings Group Co., Ltd.). The main business of Guangzhou Development Infrastructure is the holding of equity interests in 廣州南沙發展燃氣有限公司 (Guangzhou Nansha Development Gas Co., Ltd.) and GNSR Expressway Co., Ltd.

Guangzhou Development Enterprises Holdings Group Co., Ltd. is a company whose shares are listed on the Shanghai Stock Exchange. The main business of the Guangzhou Development Enterprises Holdings Group Co., Ltd. group is the investment, construction, production, management and operations of electricity, energy logistics and infrastructure facilities.

5. PRINCIPAL BUSINESS OF GZI AND GZT

GZI and its subsidiaries are principally engaged in property development, management and investment, operation and management of toll highways and bridges, and manufacturing and trading of newsprint. GZI has an interest of approximately 67.25% in the issued share capital of GZT and is the single largest shareholder of GZT.

GZT and its subsidiaries are principally engaged in investment in, and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province.

6. REASONS FOR, AND BENEFITS OF, ENTERING INTO THE ACQUISITION

The reasons for, and benefits of, entering into the Acquisition are as follows:

- (1) consolidation of control of GNSR Expressway Co., Ltd., which will become a subsidiary of the GZT Group upon completion of the Acquisition; and the accounts of GNSR Expressway Co., Ltd. will be consolidated with those of GZT and its subsidiaries;
- (2) acceptable investment return;
- (3) upward trend of the traffic volume forecast (as reflected in the traffic study report prepared by THI Asia dated 14 November 2006) resulting from (i) the expected early opening of the Western Second Ring Expressway by December 2006 and Eastern Second Ring Expressway in 2008 ahead of schedule, both of which are expected to bring more traffic flow to the GNSR Expressway; (ii) the delay in the completion of Huanan Express Trunkway Phase III, which might have a possible diversion effect, to 2008; and (iii) the higher than expected increase in vehicle ownership due to the prohibition of motorcyclists to use urban highways in Guangzhou;
- (4) the recent introduction of new macro economic revision policies are expected to drive up the development costs and risks associated with the construction of new toll expressways which are expected to reduce the competitiveness of new expressways;
- (5) the recent continual appreciation trend of RMB following the implementation of the PRC's new RMB exchange rate regime; and
- (6) the recent change in HK\$ interest rate trends from up to down.

The directors of GZI consider that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders of GZI as a whole. The directors of GZT consider that the Consideration and the terms of the Acquisition are fair and reasonable and in the interests of the shareholders of GZT as a whole.

7. LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for GZI and a major transaction for GZT under Chapter 14 of the Listing Rules. The Acquisition is, therefore, subject to the approval of the shareholders of GZT. To the best of the knowledge, information and belief of the directors of GZT, having made all reasonable enquiries, Guangzhou Development Infrastructure and its ultimate owners are Independent Third Parties. On this basis, no shareholder of GZT has a material interest in the Acquisition and, hence, no shareholder of GZT should be required to abstain from voting on the resolution to approve the Acquisition. Since no shareholder of GZT is required to abstain from voting, GZT has obtained written approval for the Acquisition from GZI which is interested in approximately 67.25% of the issued share capital of GZT, in lieu of holding the relevant general meeting, pursuant to Rule 14.44(2) of the Listing Rules.

A circular containing, among other things, the details of the Acquisition, the Equity Transfer Agreement and, the independent business valuation and the traffic forecast of GNSR Expressway will be despatched to the shareholders of GZI and GZT, respectively, as soon as practicable and in accordance with the provisions of the Listing Rules.

DEFINITIONS

“Acceptance Notice”	means the acceptance notice served by Bentfield on 14 November 2006 to Guangzhou Development Infrastructure to accept the offer of the 20% equity interest in GNSR Expressway Co., Ltd.;
“Acquisition”	means the acquisition of a 20% equity interest in GNSR Expressway Co., Ltd. through the exercise of the pre-emption right under the JV Agreement;
“Bentfield”	means Bentfield Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of GZT, the principal business of which is the holding of a 40% equity interest in GNSR Expressway Co., Ltd.;
“Consideration”	means the consideration of RMB666,200,000 (i.e., approximately HK\$659,603,960) payable by Bentfield to Guangzhou Development Infrastructure for a 20% equity interest in GNSR Expressway Co., Ltd. under the Equity Transfer Agreement;
“Equity Transfer Agreement”	means the equity transfer agreement entered into between Bentfield and Guangzhou Development Infrastructure dated 20 November 2006 for the transfer of the 20% equity interest in GNSR Expressway Co., Ltd.;
“First Joint Announcement”	means the joint announcement made by the GZI and GZT on 14 November 2006 in relation to the Acquisition;
“GHDC”	means “廣州市公路開發公司” (for identification purposes, in English, Guangzhou Highways Development Company), a PRC state-owned enterprise, which is a connected person of GZT as defined in the Listing Rules by virtue of its shareholding interests of 20%, 49%, 20%, 45% and 20%, respectively, in five subsidiaries of GZT;
“GNSR Expressway”	means Guangzhou Northern Second Ring Expressway;
“GNSR Expressway Co., Ltd.”	means Guangzhou Northern Second Ring Expressway Co., Ltd.;
“Greater China”	means Greater China Appraisal Limited, the independent professional business valuer appointed by GZT, who is an Independent Third Party;

“Guangzhou Development Infrastructure”	means 廣州發展基建投資有限公司 (Guangzhou Development Infrastructure Investments Co., Ltd.), the vendor in the Acquisition;
“GZI”	means Guangzhou Investment Company Limited (越秀投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and on the stock exchange operated by Singapore Exchange Securities Trading Limited;
“GZT”	means GZI Transport Limited (越秀交通有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“GZT Group”	means GZT and its subsidiaries;
“Independent Third Party(ies)”	means third party(ies) who is (are) independent of GZI or GZT (as the case may be) and the connected person of GZI or GZT (as the case may be) as defined in the Listing Rules;
“JV Agreement”	means the joint venture agreement entered between GHDC and Bentfield dated 18 June 1996 to govern the management and operation of GNSR Expressway Co., Ltd., and as supplemented from time to time to reflect any changes in the equity holders of GNSR Expressway Co., Ltd.;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Offer Notice”	means the notice served by Guangzhou Development Infrastructure on Bentfield dated 16 October 2006, pursuant to the terms of the JV Agreement and the articles of association of the GNSR Expressway Co., Ltd., advising that it will sell its 20% equity interest in GNSR Expressway Co., Ltd. to the highest bidder at an auction of such interest;
“PRC”	means the People’s Republic of China;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the same meaning as in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and “subsidiaries” shall be construed accordingly;
“THI Asia”	means THI Asia Consultants Limited, the independent professional traffic consultant appointed by GZT, who is an Independent Third Party; and

“Transferee Confirmation
Result Notice”

means the confirmation notice issued by the Guangzhou Asset and Equity Exchange to confirm that Bentfield is the acquirer of Guangzhou Development Infrastructure’s 20% equity interest in GNSR Expressway Co., Ltd..

In this announcement, unless otherwise specified, amounts in RMB are converted to HK\$ at a conversion rate of HK\$1.00 = RMB1.01 for illustration only. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at such rate or any other rates.

By order of the board of
Guangzhou Investment Company Limited
OU Bingchang
Chairman

By order of the board of
GZI Transport Limited
OU Bingchang
Chairman

Hong Kong, 20 November 2006

As at the date of this announcement, the board of GZI comprises:

Executive Directors: OU Bingchang (Chairman), LIANG Yi, LI Fei, CHEN Guangsong, TANG Shouchun, WANG Hongtao, LI Xinmin and HE Zili

Independent Non- executive Directors: YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose

As at the date of this announcement, the board of GZT comprises:

Executive Directors: OU Bingchang (Chairman), LI Xinmin, LI Zhuo, CHEN Guangsong, LIANG Ningguang, LIANG Yi, DU Xinrang, HE Zili, ZHANG Siyuan, TAN Yuande, HE Baiqing, and ZHANG Huping

Non- executive Director: POON Jing

Independent Non- executive Directors: FUNG Ka Pun, LAU Hon Chuen Ambrose, CHEUNG Doi Shu