越秀交通有限公司
GZI Transport Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 1052)

DISCLOSEABLE TRANSACTION ANNOUNCEMENT ACQUISITION OF EQUITY INTEREST IN 湖北漢孝高速公路建設經營有限公司 (HUBEI HAN-XIAO HIGHWAY CONSTRUCTION AND OPERATIONS COMPANY LIMITED)*

The Board is pleased to announce that on 20 October 2010, the Group entered into the Equity Transfer Agreement with Vendor, an independent third party, pursuant to which the Group has conditionally agreed to purchase from Vendor and Vendor has conditionally agreed to sell, 90% of the equity interest in Target Co, for the Consideration.

Target Co is principally engaged in the construction, management, and operation of the Han-Xiao Expressway. It owns the franchise to operate the Han-Xiao Expressway and the Airport North Extension as well as the advertising billboards and other service facilities thereof, for a term up to October 2037. Upon Completion of the Acquisition, Target Co will become a non-wholly-owned subsidiary of the Company, and the Company will indirectly own the interests and operating right of the Han-Xiao Expressway and the Airport North Extension.

The Board believes that the Acquisition will bring forth the following benefits to the Group and hence is in the interests of the Company and the Shareholders as a whole:

(1) the strategic location of Target Co will allow the Group to capitalize on the economic development of the Central and Western regions of China, which is one of the central government's strongest mandates;

(2) the Acquisition will further increase the Group's expressway portfolio, which is in-line with the Group's corporate strategy;

(3) the Group is currently in a net cash position, the Acquisition will allow the Group to effectively deploy its idle cash which is currently parked in Hong Kong and denominated in Hong Kong dollars in a very low interest environment;

(4) the Acquisition involves a transformation of a Hong Kong dollar asset (i.e. utilization of Hong Kong dollar cash as source of fund) into a RMB asset; and

(5) the leverage effect of the Acquisition will help enhance the Group's return on employed capital.

As the applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

1. Date

20 October 2010

2. Parties

Purchaser:	Purchaser, a wholly-owned subsidiary of the Company.
Vendor:	Vendor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Vendor and its ultimate beneficial owners is a third party independent of, and not connected with, the Company and its connected persons.

3. Assets to be acquired

90% equity interest in Target Co, which is principally engaged in the construction, management, and operation of the Han-Xiao Expressway and owns the franchise to operate the Han-Xiao Expressway and the Airport North Extension as well as the advertising billboards and other service facilities thereof, for a term up to October 2037. Upon Completion of the Acquisition, the Company will, through Purchaser, own the interests and operating right of the Han-Xiao Expressway and the Airport North Extension.

4. Consideration

4.1 Pursuant to the Equity Transfer Agreement, the Consideration payable for the Acquisition comprises the Main Line Consideration and the ANE Consideration. The Main Line Consideration will be determined by the following formula ("Main Line Consideration"):

$$\left(\text{RMB46,800,000} \times 33.528^{\#} - \begin{array}{c}\text{Indebtedness of Target Co}\\ \text{as at the Completion Date}\end{array}\right) \times 90\%$$

\# *being the length in kilometers of the Han-Xiao Expressway*

Subject to the adjustment mentioned in paragraph 4.3 below, the parties have agreed to use the Reference Indebtedness Amount in the sum of approximately RMB850.9 million, as Target Co's indebtedness for the purpose of calculating the amount of the Main Line Consideration payable at Completion ("initial Main Line Consideration"). Accordingly, the initial Main Line Consideration would be approximately RMB646.3 million and such sum would be subject to the adjustments mentioned in paragraph 4.3 below.

Taking into account the repayment of, and hence reduction in, Target Co's indebtedness of approximately RMB69.5 million, being a condition precedent to Completion (see paragraph 5(h) under the paragraph headed "Conditions" below) and the agreed deduction of RMB2.8 million under the Equity Transfer Agreement mentioned in paragraph 4.2 below), the initial Main Line Consideration (as adjusted) ("adjusted initial Main Line Consideration") would be approximately RMB706.2 million.

As explained in paragraph 6 headed "Airport North Extension" below, Purchaser will pay to Vendor the ANE Consideration, which is 90% of the ANE Expenses. The ANE Expenses shall not in any event exceed RMB80.8 million. It is currently estimated that the ANE Expenses will be approximately RMB76.8 million. The Consideration was arrived at after arm's length negotiations between the parties.

In addition to the Consideration, the Group may incur a further capital commitment of approximately RMB80.8 million for the investment in the Airport North Extension as mentioned in paragraph 6 headed "Airport North Extension" below. Taking into account such investment commitment, the Group's total investment in Target Co (being the aggregate of such investment commitment, the adjusted initial Main Line Consideration and the ANE Consideration, assuming the amount of ANE Consideration is based on the aforesaid estimated ANE Expenses) will amount to approximately RMB856.1 million.

Compared to the fair value of 90% equity interest in Target Co at approximately RMB790.2 million as appraised by GCA as at 30 September 2010 by adopting the income approach with discounted cash flow modeling (which constitutes a profit forecast under Rule 14.61 of the Listing Rules ("Profit Forecast")), the initial Consideration (being the aggregate of the adjusted initial Main Line Consideration and the ANE Consideration, assuming the amount of ANE Consideration is based on the aforesaid estimated ANE Expenses) will be approximately RMB775.3 million, representing a discount of approximately 2.0% to the appraised value of Target Co, excluding the value of the Call Option mentioned in paragraph 9 headed "Call Option" below. The Board considers that the Consideration is fair and reasonable.

4.2 The initial Main Line Consideration will be payable in cash by Purchaser by two instalments. 80% of the initial Main Line Consideration less RMB2.8 million, being the agreed deduction under the Equity Transfer Agreement, will be paid within 5 working days after Completion, and the remaining 20% will be paid on the second working day after Vendor has delivered the bank guarantee to Purchaser (see below paragraph 7 headed "Bank Guarantee"), provided that Vendor should have then complied with the following conditions within 90 days after payment of the first instalment:

4.2.1 Vendor having settled all taxes arising out of the Acquisition and provided Purchaser with the documentary proof thereof;

4.2.2 Target Co having extended the time allowed for obtaining the consent and approvals for the installation and erection of 38 advertising billboards along the Han-Xiao Expressway; and

4.2.3 Target Co having obtained all necessary authorisations and approvals for the commencement of the construction works of the Airport North Extension.

The first instalment of the initial Main Line Consideration will be in the amount of approximately RMB517.1 million.

4.3 The initial Main Line Consideration would be adjusted in the following manner:

4.3.1 90% of the difference between (i) the indebtedness of Target Co as at the Completion Date, as disclosed in the audited completion accounts to be prepared by an independent auditor within 15 working days of Completion; and (ii) the Reference Indebtedness Amount.

4.3.2 Vendor would be responsible for 90% of

(a) such indebtedness of Target Co which has not been disclosed in any of its financial reports provided to Purchaser prior to the signing of the Equity Transfer Agreement; and

(b) any depreciation in value in the assets of Target Co as at the Completion Date (but excluding any normal tear and wear and repayment of loans permitted under the Equity Transfer Agreement),

and such sum(s) will be deducted from the second instalment of the initial Main Line Consideration payable by Purchaser to Vendor or be paid by Vendor to Purchaser on demand, as the case may be.

4.4 The terms of payment of the ANE Consideration are set forth in paragraph 6 headed "Airport North Extension" below.

4.5 The Consideration will be funded by internal resources of the Group.

5. Conditions

Completion of the Acquisition is subject to and conditional upon fulfillment of a number of conditions, which, among others, include:-

(a) the warranties and representations given by Vendor remaining true and accurate as of the Completion Date;

(b) there being no material adverse change in Target Co;

(c) Target Co having obtained the written confirmation of 武漢市交通委員會 (Wuhan City Municipal Transport Committee) confirming that the franchise agreement in respect of the Han-Xiao Expressway is effective and the waiver of the requirements for certain performance guarantees;

(d) Target Co having obtained the unconditional release and termination of the charge created over its right to collect toll fee from the Han-Xiao Expressway in favour of Wuhan Branch of China CITIC Bank Corporation Limited;

(e) Vendor having obtained the unconditional release and termination of the pledge created over its equity interest of Target Co in favour of Huaxia Bank;

(f) Target Co having capitalised and converted its capital reserves in the sum of RMB238.0 million into registered capital;

(g) Purchaser having obtained a PRC legal opinion confirming that Target Co owns the franchise to invest, construct and operate the Airport North Extension;

(h) Target Co having applied the following sums, amounting to approximately RMB69.5 million, in early satisfaction of the principal amount of its bank loans, the repayment of which will reduce Target Co's indebtedness and hence will be reflected in the adjustment to the initial Main Line Consideration set out in paragraph 4.3 above:

— Repayment of approximately RMB24.9 million by 武漢福德路橋管理有限公司 (Wuhan Telford Roads and Bridges Management Company Limited);

— Repayment of RMB11.6 million by 志宏道路公司 (Zhihong Road Company) and 國創高新公司 (Guochuang Gaoxin Company); and

— Vendor's further capital commitment in Target Co of approximately RMB33.0 million in early satisfaction of the principal amount of its bank loans;

(i) Vendor having complied with its obligations under the Equity Transfer Agreement;

(j) Vendor and Target Co having obtained all necessary third party consents and government approvals which may be required for the Completion of the Acquisition; and

(k) Purchaser having obtained all necessary approvals and completed all necessary formalities which may be required for the Completion of the Acquisition.

If any of the conditions are not fulfilled or waived within 90 days from the date of the Equity Transfer Agreement, i.e. on or before 18 January 2011, the rights and obligations of the parties under the Equity Transfer Agreement shall lapse and be of no further force and effect. Neither party will have any claim against the other party except if any non-fulfilment of any condition was caused by the willful act of any party. Purchaser is entitled to set the date at such later date as it may specify in writing while Vendor is entitled to extend the time by 30 days if it has performed or caused to be performed all such acts and deeds required for the satisfaction of the conditions within the 90-day period and any non-fulfilment of any conditions before the expiry of the 90-day period is not due to the default of Vendor.

6. Airport North Extension

The parties have further agreed that Purchaser will pay the ANE Consideration to the Vendor. The ANE Consideration will be equal to 90% of the ANE

Expenses, which sum shall be confirmed by an independent auditor after Completion, provided that the ANE Expenses shall not in any event exceed RMB80.8 million. It is currently estimated that the ANE Expenses will be approximately RMB76.8 million. The ANE Consideration will be payable within 30 days after the second payment of the Main Line Consideration mentioned in paragraph 4.2 under the paragraph headed "Consideration" above.

Vendor has also undertaken to use its best endeavours to procure that the Airport North Extension will be incorporated into the Han-Xiao Expressway, subject to the same standards for toll charges and toll charge periods, failing which Vendor shall indemnify Purchaser for any financial losses thus incurred.

Purchaser and Vendor will be responsible for the capital requirement of the Airport North Extension in the ratio of 9:1. The total investment commitment for the Airport North Extension is approximately RMB359.1 million, 25% of which will be funded by capital injection and the remaining by other sources of finance, including bank loans. Accordingly, pursuant to the Equity Transfer Agreement, the Group may incur a further capital commitment of approximately RMB80.8 million in connection with the investment in the Airport North Extension. It is however currently estimated that the total investment required for completion of the Airport North Extension will be approximately RMB250.0 million.

Taking into account such investment commitment, the Group's total investment in Target Co will be approximately RMB856.1 million (being the aggregate of such investment commitment, the adjusted initial Main Line Consideration and the ANE Consideration, assuming the amount of ANE Consideration is based on the estimated ANE Expenses).

7. Bank Guarantee

As security for Vendor's liability under the Equity Transfer Agreement, Vendor will provide a bank guarantee of up to RMB100,000,000, or its equivalent in Hong Kong dollars, in favour of GZI Transport (China) to cover any compensation, loss and damages that it might become liable to Purchaser in connection with the Acquisition. The bank guarantee shall remain valid for a period of 2 years.

8. Completion

Completion shall take place after fulfillment (or waiver, if applicable) of all the conditions precedent, and on the day of issuance of Target Co's business licence recording and giving effect to the Acquisition.

9. Call Option

Vendor has irrevocably granted to Purchaser an option to acquire the remaining 10% equity interest in the Target Co held by Vendor ("Call Option") within 3 years of Completion. The exercise price shall be the aggregate of the following sums:

(i) 1/9 of the Main Line Consideration plus interests thereon to be accrued at the base lending rate of the domestic banks in the PRC over the period from the Completion Date up to the date of payment of the exercise price;

(ii) 10% of the ANE Expenses plus interests thereon to be accrued at the base lending rate of the domestic banks in the PRC over the period from the Completion Date up to the date of payment of the exercise price; and

(iii) any further capital injection into Target Co made by Vendor since the Completion Date plus interest thereon to be accrued at the base lending rate of the domestic banks in the PRC over the period from the date of capital injection up to the date of payment of the exercise price.

No premium is payable by Purchaser for the grant of the Call Option which is exercisable by Purchaser at its absolute discretion at any time within 3 years of Completion. The Group will, where necessary, comply with the applicable requirements of the Listing Rules if and when the Call Option is exercised.

FAIR VALUE OF THE 90% EQUITY INTEREST IN TARGET CO

For the purpose of complying with Rule 14.62 of the Listing Rules, the principal assumptions on which the Profit Forecast was based are as follows:

(1) there will be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC where Target Co is located;

(2) there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

(3) there will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;

(4) traffic growth for Target Co will conform to the average of the optimistic and conservative scenarios as projected in the "湖北漢孝高速公路交通諮詢評估報告" (traffic and revenue forecast, operation and maintenance reports of the Han-Xiao Expressway) prepared by Jiecheng Consultants Limited ("Jiecheng") *(Note 1)*;

(5) depreciation policy of Target Co is subject to its accounting policy;

(6) credit terms and repayment schedules of bank loans are provided by the management of the Company; and

(7) Target Co will retain competent management, key personnel, and technical staff to support the ongoing operation of the Han-Xiao Expressway.

Note 1: Jiecheng's traffic forecast is prepared based on, amongst other things, the following assumptions of the traffic and toll revenue forecast of Han-Xiao Expressway:

Table 1

Assumptions of the GDP Annual Growth Rate (%) in Wuhan

Year	Optimistic Case	Conservative Case
2010	15.5%	11.5%
2011	14.0%	11.5%
2012	13.0%	10.5%
2013	12.0%	9.5%
2014	11.5%	9.0%
2015	11.0%	8.5%
2016 ~ 2020	10.0%	8.5%
2021 ~ 2030	9.0%	7.5%
2031 ~ 2037	7.0%	5.5%

Table 2 - Summary of Traffic Forecast Projection

AADT Traffic Forecast Projection (vehicle/day) for the Han-Xiao Expressway

Year	Optimistic Case	Conservative Case
2010	6,807	6,531
2011	8,052	7,538
2012	12,359	10,913
2013	15,098	13,184
2014	17,550	15,212
2015	19,844	17,033
2016	21,944	18,702
2017	24,076	20,360
2018	26,203	21,978
2019	28,279	23,671
2020	30,445	25,436
2021	32,516	27,160
2022	34,671	28,855
2023	36,905	30,557
2024	39,169	32,278
2025	41,450	34,009
2026	43,689	35,710
2027	45,494	37,467
2028	47,365	39,277
2029	48,345	41,140
2030	48,466	43,051
2031	48,572	44,777
2032	48,680	46,433
2033	48,790	46,797
2034	48,901	47,152
2035	49,014	47,495
2036	49,130	47,553
2037	49,249	47,607

The Board has reviewed the principal assumptions upon which the Profit Forecast was based and is of the view that the Profit Forecast has been made after due and careful enquiry.

PricewaterhouseCoopers, the reporting accountant of the Company, has also reviewed the calculations for the discounted future estimated cash flows on which the valuation prepared by GCA was based.

A letter from the Board and a report from PricewaterhouseCoopers are included in the appendices to this announcement for the purpose of Rules 14.62 of the Listing Rules.

INFORMATION ON TARGET CO

Target Co is a wholly foreign owned enterprise established in the PRC. Vendor is the sole shareholder of Target Co.

Target Co is principally engaged in the construction, management, and operation of the Han-Xiao Expressway. It owns the franchise to operate the Han-Xiao Expressway and the Airport North Extension as well as the advertising billboards and other service facilities thereof, for a term up to October 2037. The Han-Xiao Expressway is part of the Fuzhou to Yinchuan Expressway which forms part of the planned national "7918" expressway network. It is also part of the Yingshan to Yunxi Expressway which is part of the "5 north south, 5 east west and 2 circular routes" expressway network of Hubei Province. The Han-Xiao Expressway starts at Taoyuanji interchange located at Huangpi district of Wuhan City and intersects with the Daihuang Expressway. It ends at Xiaonan interchange located at Xiaonan District of Xiaogan City and is connected to the Jingzhu Expressway. The total length of Han-Xiao Expressway is 33.528 km, consisting of a 6-lane highway of 6.824 km, connecting Taoyuanji interchange and Hengdian interchange, and a 4-lane highway of 26.704 km connecting Hengdian interchange to Xiaonan interchange.

Target Co has also commenced the prophase construction works of the 2.468 km Airport North Extension, which is a branch expressway connecting the Han-Xiao Expressway and the Wuhan Tianhe Airport. The Airport North Extension is expected to be completed by the end of 2011, after which the traffic and logistics flow to the Han-Xiao Expressway is expected to greatly increase.

Based on the PRC audited accounts of Target Co for the three years ended 31 December 2007, 2008 and 2009 and the unaudited management accounts of Target Co for the nine months ended 30 September 2010, all of which were prepared in accordance with PRC Accounting Standards for Business Enterprises, the financial information of Target Co was as follows:

	For the year ended 31 December			**For the nine months ended 30 September**
	2007	**2008**	**2009**	**2010**
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
Revenue	24,502,270	50,117,261	54,022,311	39,996,226
Loss before and after tax and extraordinary items	(38,957,668)	(20,482,407)	(52,119,502)	(38,208,670)

According to the PRC audited accounts of Target Co for the financial year ended 31 December 2009, its net asset value as at 31 December 2009 was approximately RMB284.3 million. Upon Completion of the Equity Transfer Agreement, Target Co will be held as to 90% by the Group and 10% by Vendor and will become a non-wholly owned subsidiary of the Company.

GENERAL INFORMATION ABOUT THE COMPANY, PURCHASER AND VENDOR

The Group is principally engaged in investment in operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the PRC. Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

Vendor is principally engaged in investment in and construction, operation and management of transportation infrastructures in the PRC.

REASONS AND BENEFITS FOR THE ACQUISITION

One of the Group's growth strategy is to optimize its toll road portfolio by expanding the asset base and increasing the ratio of expressways. In order to adhere to its investment strategies and step up its investment in quality toll roads, the Group conducted an open offer in August 2007 in anticipation of aggressive asset investments in the years that followed. However, following the open offer, the unraveling of the global financial crisis in 2008 prompted the Group to adopt a more conservative approach in evaluating investment opportunities. Now that the financial crisis is subsiding and markets are stabilizing, the Group, armed with abundant internal liquidity and a very low leverage level, is prepared to be more aggressive in deploying its internal cash in search of attractive investment opportunities.

Toll road revenue highly correlates with the macroeconomic trend of the localities concerned. While the Group's toll projects are mainly located in the Pearl River Delta ("PRD") region which has a highly developed economy, the Group is also tracking closely a number of other regions in the PRC with relatively mature economic development, as evident by the Group's two successful acquisitions outside the PRD region in 2009 (i.e. one in Guangxi Zhuang Autonomous Region and the other in Tianjin City). Target Co has a unique geographical advantage, being benefited from China's "Western Development"（西部大開發）and "Rise of Central China"（中部崛起）strategies. Target Co is located in Wuhan City, Hubei Province, the core spot of the "Rise of Central China" strategy. In the year 2009, the Gross Domestic Product ("GDP") of Wuhan City gained an annual growth of 13% and reached RMB456.0 billion, which was much higher than China's national GDP growth of 8.7% for that year. Wuhan City is the largest city in Central China, it is the economic, financial, transportation and cultural centres of the region. It is also the meeting point of railway lines including Jingguang Railway, Wujiu Railway, Huhanrong Railway and Wuguang Railway, and major national expressways of the "7918" expressway network including Jinggangao Expressway, Hurong Expressway, Huyu Expressway, Fuyin Expressway, Daguang Expressway. The PRC Government has planned to develop Wuhan City into a state class logistic hub city.

Han-Xiao Expressway has started its trial toll collection on 12 December 2006 and officially commenced operation on 28 October 2008. As set out in the audited accounts of Target Co, its toll revenue for the three years ended 31 December 2007, 2008 and 2009 amounted to approximately RMB24.5 million, RMB50.1 million and RMB54.0 million respectively, representing an annual growth of 104.5% and 7.8% for 2008 and 2009 respectively. Net loss for the three years ended 31 December 2007, 2008 and 2009 were approximately RMB39.0 million, RMB20.5 million and RMB52.1 million respectively.

In normal expressway operation, it is normally expected that the first and the following two to three years, which we call the cultivation period of a toll road, will incur an operating loss. Since the Han-Xiao Expressway officially commenced its operation on 28 October 2008, the amortization of the operating right began and was charged to Target Co's profit and loss accounts only in the year after, i.e. in 2009. Net loss in 2008 was approximately 47.4 % lower than 2007. For comparison purpose, excluding the amortization of the operating right, net loss in 2009 was approximately RMB8.8 million, representing an improvement of 57.2% to the 2008 net loss position.

However, in the first 9 months of 2010, the performance of the Han-Xiao Expressway fell short of the expected growth in toll road revenues due to the following reasons:

(a) the time for obtaining the approval for the increase of toll fees of the Han-Xiao Expressway was longer than expected; and

(b) the traffic volume has been temporarily affected due to the access restriction to the Jianghan Erqiao and Jianyi Road sections of the Han-Xiao Expressway placed upon heavy weight vehicles, and the license plate-based even-odd policy, as imposed by the Wuhan City Municipal Transport Authority from 13 August 2010 until 31 December 2010 for renovation works on inner-city roads.

The application for toll fee increase was finally approved on 30 September 2010. The Wuhan City Municipal Transport Authority has also declared for the uplift of the abovementioned traffic control on January 2011. It is therefore expected that both the traffic and revenue volumes of the Han-Xiao Expressway will gradually pick up following (a) the increase of toll fees which will take effect from 1 November 2010 onwards; (b) the uplift of the aforesaid traffic control in or about January 2011; and (c) the completion of the Airport North Extension by the end of 2011.

As disclosed in the audited accounts of Target Co for the financial year ended 31 December 2009, its net asset value as at 31 December 2009 was approximately RMB284.3 million, of which approximately RMB255.8 million was attributable to the 90% equity interest in Target Co being acquired by the Group. The fair value of the 90% equity interest in Target Co as at 30 September 2010 as appraised by GCA by adopting the income approach with discounted cash flow modeling was approximately RMB790.2 million. The initial Consideration (being the aggregate of the adjusted initial Main Line Consideration and the ANE Consideration, assuming the amount of ANE Consideration is based on the estimated ANE Expenses (see paragraph 4.1 under the paragraph headed "Consideration" above)) of approximately RMB775.3 million represents approximately 2.0% discount to the said appraised value, excluding the value of the Call Option mentioned in paragraph 9 headed "Call Option" above.

The Group's gross gearing ratio as published in the Company's 2010 interim report, calculated by dividing total borrowings by total capitalization (sum of total borrowings and shareholders' equity), was approximately 16.5%. Taking into account the aggregation of Target Co's total debts to the Group upon Completion, the gearing ratio of the Group as at 30 June 2010 calculated by applying the same formula would be increased to approximately 24.3%. The cash and cash equivalents of the Group as at 30 June 2010 amounted to RMB2.04 billion which, if netted against the total borrowings, meant the Group would have been in a net cash position. Taking into account the cash and cash equivalents, net gearing ratio upon Completion would have been approximately 14.3%.

The terms and conditions of the Equity Transfer Agreement were arrived at after arm's length negotiation between the Group and Vendor. The Board believes that the Acquisition will bring forth the following benefits to the Group:

(1) the strategic location of Target Co will allow the Group to capitalize on the economic development of the Central and Western regions of China, which is one of the central government's strongest mandates;

(2) the Acquisition will further increase the Group's expressway portfolio, which is in-line with the Group's corporate strategy;

(3) the Group is currently in a net cash position, the Acquisition will allow the Group to effectively deploy its idle cash which is currently parked in Hong Kong and denominated in Hong Kong dollars in a very low interest environment;

(4) the Acquisition involves a transformation of a Hong Kong dollar asset (i.e. utilization of Hong Kong dollar cash as source of fund) into a RMB asset; and

(5) the leverage effect of the Acquisition will help enhance the Group's return on employed capital.

Having taken into account the above benefits and the fact that the remaining franchise period of the Han-Xiao Expressway of 27 years is relatively long and that the initial Consideration of the Acquisition (being the aggregate of the adjusted initial Main Line Consideration and the ANE Consideration, assuming the amount of ANE Consideration is based on the estimated ANE Expenses (see paragraph 4.1 under the paragraph headed "Consideration" above)) represents approximately 2.0% discount to the fair value of the 90% equity interest in Target Co, excluding the value of the Call Option mentioned in paragraph 9 headed "Call Option" above, the Board considers that the Consideration and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	Qualification
GCA	Valuer
PricewaterhouseCoopers	Certified Public Accountants

As at the date of this announcement, neither GCA nor PricewaterhouseCoopers has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the knowledge, information and belief of the Board, each of GCA and PricewaterhouseCoopers is a third party independent of, and not connected with, the Group or its the connected persons.

The valuation report made by GCA was dated 20 October 2010.

Each of GCA and PricewaterhouseCoopers has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which it is included.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"ANE Consideration"	means consideration payable by Purchaser to Vendor in respect of the Airport North Extension as mentioned in the paragraph headed "Airport North Extension";
"ANE Expenses"	means the sum that has been expended on the construction of the Airport North Extension up to the Completion Date, provided that the amount of such expenses shall not in any event exceed RMB80.8 million.
"Acquisition"	means acquisition of the 90% equity interest in Target Co pursuant to the terms of the Equity Transfer Agreement;
"Airport North Extension"	means the branch expressway connecting the Han-Xiao Expressway and the Wuhan Tianhe Airport;
"Board"	means the board of Directors;
"Company"	means GZI Transport Limited (越秀交通有限公司*), an exempted company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
"Completion"	means completion of the Acquisition pursuant to the Equity Transfer Agreement;
"Completion Date"	means the date on which Completion takes place;
"connected persons"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	means Main Line Consideration and ANE Consideration;
"Directors"	means the directors of the Company;

"Equity Transfer Agreement"	means the equity transfer agreement dated 20 October 2010 entered into between Purchaser and Vendor
"GCA"	means Greater China Appraisal Limited, an independent qualified valuer appointed by the Group;
GZI Transport (China)	means 越秀(中國)交通基建投資有限公司, a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company;
"Group"	means the Company and its subsidiaries;
"Han-Xiao Expressway"	means the tolled Wuhan to Xiaogan Expressway in Hubei Province, the PRC
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Main Line Consideration"	has the meaning as defined in paragraph 4.1 of the paragraph headed "Consideration"
"PRC"	means the People's Republic of China, and for purposes of this announcement only, excluding Hong Kong;
"Purchaser"	means Swift Full Limited (翔丰有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
"Reference Accounts Date"	means 30 September 2010
"Reference Indebtedness Amount"	means the total indebtedness of Target Co as at the Reference Accounts Date as agreed by the Group and Vendor
"RMB"	means Renminbi, the lawful currency of the PRC;
"Shareholders"	means the shareholders of the Company;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;

"Target Co"	means 湖北漢孝高速公路建設經營有限公司 (Hubei Han-Xiao Highway Construction and Operations Company Limited*), a wholly foreign owned enterprise established in the PRC;
"Vendor"	means Telford Road & Bridge Investments Co. Limited (福德路橋投資有限公司), a company incorporated in Hong Kong with limited liability; and
"%"	means percentage.

By Order of the Board
GZI Transport Limited
Zhang Zhaoxing
Chairman

Hong Kong, 20 October 2010

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

Executive Directors:	*ZHANG Zhaoxing (Chairman), LI Xinmin, LIANG Ningguang, LIU Yongjie, QIAN Shangning and WANG Shuhui*
Independent Non-executive Directors:	*FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu*

* *For identification purpose only*

20 October 2010

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Discloseable Transaction

We refer to the valuation report dated 20 October 2010 and prepared by Greater China Appraisal Limited ("**Valuer**") in relation to the valuation of the fair value of the 90% equity interest in 湖北漢孝高速公路建設經營有限公司 (Hubei Han-Xiao Highway Construction and Operations Company Limited*), a wholly foreign owned enterprise established in the People's Republic of China, as at 30 September 2010 (the "**Valuation**"). The Valuation, which is prepared based on discounted cash flow method, are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from our reporting accountant, PricewaterhouseCoopers, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of directors of
GZI Transport Limited
ZHANG Zhaoxing
Chairman

* *For identification purpose only*

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF HUBEI HAN-XIAO HIGHWAY CONSTRUCTION AND OPERATIONS COMPANY LIMITED

TO THE BOARD OF DIRECTORS OF GZI TRANSPORT LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 20 October 2010 prepared by Greater China Appraisal Limited in respect of the appraisal of the fair value of the 90% equity interests in Hubei Han-Xiao Highway Construction and Operations Company Limited (the "Target Company") is based. The Valuation is set out in the announcement of GZI Transport Limited (the "Company") dated 20 October 2010 (the "Announcement") in connection with the acquisition by the Company of a 90% equity interests in the Target Company by Swift Full Limited, a wholly-owned subsidiary of the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out in the section headed "Fair Value of the 90% Equity Interest in Target Co" of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibility

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the section headed "Fair Value of the 90% Equity Interest in Target Co" of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out in the section headed "Fair Value of the 90% Equity Interest in Target Co" of the Announcement.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 October 2010