

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in GZI Transport Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



**越 秀 交 通 有 限 公 司**<sup>\*</sup>  
**GZI Transport Limited**

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

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**Independent Financial Adviser to  
the Independent Board Committee and the Shareholders of  
GZI Transport Limited**



**馮 銘 投 資 管 理 有 限 公 司**  
**YU MING INVESTMENT MANAGEMENT LIMITED**

---

A letter from the board of GZI Transport Limited is set out on pages 5 to 21 to this circular.

A letter from the independent board committee of GZI Transport Limited is set out on pages 22 to 23 of this circular. A letter from Yu Ming Investment Management Limited, the independent financial adviser to the independent board committee and shareholders of GZI Transport Limited, is set out on pages 24 to 36 of this circular

*\* For identification purpose only*

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	22
<b>LETTER FROM YU MING</b> .....	24
<b>APPENDIX I — BUSINESS VALUATION REPORT</b> .....	37
<b>APPENDIX II — TRAFFIC AND REVENUE FORECAST</b> .....	51
<b>APPENDIX III — LETTER FROM THE REPORTING ACCOUNTANT IN RELATION TO DISCOUNTED FUTURE ESTIMATED CASH FLOWS</b> .....	71
<b>APPENDIX IV — LETTER FROM THE BOARD OF DIRECTORS OF GZI AND THE BOARD IN RELATION TO VALUATIONS</b> .....	73
<b>APPENDIX V — GENERAL INFORMATION</b> .....	74

---

## DEFINITIONS

---

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

“Announcement”	means the announcement jointly issued by GZI and the Company on 1 December 2009 in relation to the Transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of Directors
“Closely Allied Group”	means, as at the date of Announcement, Yue Xiu Enterprises (Holdings) Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd., Greenwood Pacific Limited, GZI, Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited, Lawson Enterprises Limited and Treasure House Limited
“Companies Ordinance”	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Compensation Agreement”	means the agreement for compensation as to the Company’s indirect 80% interest in Guangzhou Taihe for the closure of the Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe dated 1 December 2009 and entered into between GHDC and the Company
“Completion”	means completion of the Transactions
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	means the Directors of the Company
“Fortune Success”	means Fortune Success Group Ltd., a company incorporated in the British Virgin Islands
“GCA”	means Greater China Appraisal Limited, an independent qualified valuer appointed by the Group
“GHDC”	means 廣州市公路開發公司 (Guangzhou Highways Development Company*), a PRC state-owned enterprise
“Group”	means the Company and its subsidiaries

---

## DEFINITIONS

---

“Guangzhou Taihe”	means 廣州市太和公路發展有限公司 (Guangzhou Taihe Highways Development Company Limited*), a cooperative joint venture established in the PRC
“Guangzhou Tailong”	means 廣州市太龍公路發展有限公司 (Guangzhou Tailong Highways Development Company Limited*), a cooperative joint venture established in the PRC
“Guangzhou Tailong Debt Assignment”	means the debt assignment of Guangzhou Tailong dated 1 December 2009 and entered into among GHDC, Fortune Success and Guangzhou Tailong
“Guangzhou Tailong Equity Transfer Contract”	means the contract for the transfer of 39% equity interests in Guangzhou Tailong dated 1 December 2009 and entered into between GHDC and Fortune Success
“Guangzhou Xinguang”	means 廣州市新廣公路發展有限公司 (Guangzhou Xinguang Highways Development Company Limited*), a cooperative joint venture established in the PRC
“Guangzhou Xinguang Debt Assignment”	means the debt assignment of Guangzhou Xinguang dated 1 December 2009 and entered into among GHDC, Top Global and Guangzhou Xinguang
“Guangzhou Xinguang Equity Transfer Contract”	means the contract for the transfer of 35% equity interests in Guangzhou Xinguang dated 1 December 2009 and entered into among GHDC, Top Global and Guangzhou Xinguang
“GZ SASAC”	means the State-owned Assets of Supervision and Administration Commission of Guangzhou City, the PRC
“GZI”	means Yuexiu Property Company Limited (越秀地產股份有限公司) (formerly known as Guangzhou Investment Company Limited (越秀投資有限公司)), a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange and on the stock exchange operated by Singapore Exchange Securities Trading Limited
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Ickleton”	means Ickleton Limited, a company incorporated in the British Virgin Islands

---

## DEFINITIONS

---

“Independent Board Committee”	means an independent committee of the Board appointed to advise the Shareholders in respect of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions, comprising the independent non-executive Directors
“Latest Practicable Date”	18 December 2009, being the latest practicable date prior to the publication of this circular for ascertaining certain information
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	means the People’s Republic of China, and for purposes of this circular only, excluding Hong Kong
“RMB”	means Renminbi, the lawful currency of the PRC
“SAFE”	means the State Administration of Foreign Exchange of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified for the time being
“Share(s)”	means shares of HK\$0.1 each in the share capital of the Company
“Shareholders”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Top Global”	means Top Global Holdings Ltd., a company incorporated in the British Virgin Islands, carrying on business in Hong Kong as Top Global (Xinguang) Holdings Ltd. (冠球有限公司)
“Transactions”	means the transactions contemplated under the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment

---

## DEFINITIONS

---

“Yu Ming”	means Yu Ming Investment Management Limited, a deemed licensed corporation eligible to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Shareholders
“%”	means percentage

*For illustration purpose, an exchange rate of HK\$1.00: RMB0.8819 is used in this circular.*

---

## LETTER FROM THE BOARD

---



越秀交通有限公司\*  
**GZI Transport Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1052)**

*Executive Directors:*

ZHANG Zhaoxing (*Chairman*)

LI Xinmin

LIANG Ningguang

LIU Yongjie

QIAN Shangning

WANG Shuhui

*Registered Office:*

Cannon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head Office and Principal Place of Business*

23rd Floor

Yue Xiu Building

160 Lockhart Road

Wanchai

Hong Kong

*Independent Non-executive Directors:*

FUNG Ka Pun

LAU Hon Chuen Ambrose

CHEUNG Doi Shu

22 December 2009

*To Shareholders*

Dear Sirs,

### DISCLOSEABLE AND CONNECTED TRANSACTION

#### INTRODUCTION

Reference is made to the Announcement in which the Directors announced that on 1 December 2009:

- (i) GHDC and the Company entered into the Compensation Agreement;
- (ii) GHDC and Top Global, an indirect wholly-owned subsidiary of the Company, entered into the Guangzhou Xinguang Equity Transfer Contract pursuant to which Top Global agreed to acquire and GHDC agreed to sell its 35% equity interest in Guangzhou Xinguang;
- (iii) GHDC, Top Global and Guangzhou Xinguang entered into the Guangzhou Xinguang Debt Assignment pursuant to which Top Global agreed to acquire and GHDC agreed to assign the debt amounting to RMB107,428,000 (approximately HK\$121,814,265) owed to it by Guangzhou Xinguang;

\* For identification purpose only

---

## LETTER FROM THE BOARD

---

- (iv) GHDC and Fortune Success, an indirect wholly-owned subsidiary of the Company, entered into the Guangzhou Tailong Equity Transfer Contract pursuant to which Fortune Success agreed to acquire and GHDC agreed to sell its 39% equity interest in Guangzhou Tailong; and
- (v) GHDC, Fortune Success and Guangzhou Tailong entered into the Guangzhou Tailong Debt Assignment, pursuant to which Fortune Success agreed to acquire and GHDC agreed to assign the debt amounting to RMB65,132,600 (approximately HK\$73,854,859) owed to it by Guangzhou Tailong.

Upon completion of each of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment, Guangzhou Taihe will continue to be a subsidiary of the Company, and each of Top Global and Fortune Success will hold 90% equity interest in Guangzhou Xinguang and Guangzhou Tailong respectively.

The Independent Board Committee has been appointed to advise the Shareholders, and Yu Ming has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders.

The purpose of this circular is to provide the Shareholders with further details of each of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions and to set out the opinion of the Independent Board Committee and the letter of advice from Yu Ming to the Independent Board Committee and the Shareholders.

### BACKGROUND

Reference is made to the Annual Report 2008 and the 2009 interim report of the Company in relation to the closure of Taihe toll station.

Since 1 January 2009, the Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe, has closed down for relocation and town planning at the request of the Guangzhou Municipal People's Government ("**GZ Government**") on the understanding that the loss occasioned by such relocation would be compensated. On 1 December 2009, GHDC and the relevant Group members entered into five definitive agreements in this respect, namely, the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment.

### THE COMPENSATION AGREEMENT

#### Date

1 December 2009



---

## LETTER FROM THE BOARD

---

### Parties

- (i) GHDC
- (ii) The Company

### Principal terms and conditions

- (1) The GZ Government decided to and the Company agreed to close the Taihe toll station which has been the sole business and operation of Guangzhou Taihe since 1 January 2009.
- (2) The GZ Government acknowledges that the Company shall be entitled to compensation as to its 80% interest in Guangzhou Taihe in a sum of RMB 217,927,400 (approximately HK\$247,111,238) (the “**Compensation**”) for the closure of Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe since 1 January 2009. The Compensation was determined in accordance with the policies of the GZ Government and agreed between the parties with reference to the respective book value of the equity interest in Guangzhou Xinguang and Guangzhou Tailong as at 30 June 2009 and debts owed to GHDC by Guangzhou Xinguang and Guangzhou Tailong as at 30 September 2009 as described below. The Compensation will be utilized to acquire from GHDC the equity interest in and debts owed by Guangzhou Xinguang and Guangzhou Tailong as described in (3) below.
- (3) GHDC will transfer its 35% equity interest in Guangzhou Xinguang for a consideration of HK\$ equivalent of RMB3,519,600 at the prevailing exchange rate (approximately HK\$3,990,929), and assign the debt amounting to RMB107,428,000 (approximately HK\$121,814,265) owed to it by Guangzhou Xinguang and transfer its 39% equity interest in Guangzhou Tailong for a consideration of HK\$ equivalent of RMB41,847,200 at the prevailing exchange rate (approximately HK\$47,451,185), and assign the debt amounting to RMB65,132,600 (approximately HK\$73,854,859) owed to it by Guangzhou Tailong and utilize the cash consideration received for the above equity transfers and the debt assignments in accordance with an accounting setoff arrangement approved by GZ SASAC to settle the Compensation. As the total consideration payable to GHDC for the transfer of its 35% equity interest in Guangzhou Xinguang and 39% equity interest in Guangzhou Tailong as well as the assignment of the debts owed to it by Guangzhou Xinguang and Guangzhou Tailong respectively amount to RMB 217,927,400 (approximately HK\$247,111,238), which is the same as the amount of the Compensation, there will be no material cash inflow or outflow and no material gain or loss to the Company arising from the Transactions.
- (4) Completion of the Compensation Agreement is subject to the relevant PRC government approvals.

---

## LETTER FROM THE BOARD

---

### THE GUANGZHOU XINGUANG EQUITY TRANSFER CONTRACT

#### Date

1 December 2009

#### Parties

- (i) GHDC
- (ii) Top Global, an indirect wholly-owned subsidiary of the Company

#### Principal terms and conditions:

##### (1) *Equity Interest Acquired*

Pursuant to the terms of the Guangzhou Xinguang Equity Transfer Contract, Top Global agreed to acquire and GHDC agreed to sell its 35% equity interest in Guangzhou Xinguang together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of HK\$ equivalent of RMB3,519,600 at the prevailing exchange rate (approximately HK\$3,990,929).

##### (2) *Conditions Precedent*

Completion of the Guangzhou Xinguang Equity Transfer Contract is subject to the parties having obtained all necessary consents, authorizations and PRC government approvals for the above equity interest transfer.

##### (3) *Consideration*

The consideration of HK\$ equivalent of RMB3,519,600 at the prevailing exchange rate (approximately HK\$3,990,929) for the above equity transfer will, within five business days of signing the Guangzhou Xinguang Equity Transfer Contract, be deposited in cash by Top Global with Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) (“GEMAS”) as the escrow agent in accordance with the Interim Measures on Administration of Enterprise-State-Ownership Transfer (《企業國有產權轉讓管理暫行辦法》).

At the time of signing of the Guangzhou Xinguang Equity Transfer Contract, Top Global also entered into a GEMAS Foreign Capital Escrow Agreement with GHDC and GEMAS, pursuant to which GEMAS will hold the said HK\$ equivalent of RMB3,519,600 in its foreign capital escrow account until the parties have obtained all necessary consents, authorizations and PRC government approvals for the above equity transfer. Upon fulfillment of the above conditions, GEMAS will release the said sum to GHDC’s account as approved by the SAFE. GHDC will then arrange for the foreign currency settlement with the designated bank in accordance with the relevant requirements of the SAFE and transfer the said sum back to the Company in partial payment of the Compensation.

---

## LETTER FROM THE BOARD

---

The consideration for the aforesaid 35% equity interest transfer which was arrived at after arm's length negotiations between the parties, represents an approximately 36.0% discount to the valuation of the fair value of the 35% equity interest of Guangzhou Xinguang in the amount of RMB5.5 million as at 30 September 2009 as appraised by GCA by adopting the income approach with discounted cash flow modeling which constitutes a profit forecast under Rule 14.61 of the Listing Rules. The consideration represents an approximately RMB0.39 million or approximately 12.6% premium over the book value of the 35% equity interest of Guangzhou Xinguang as at 30 June 2009.

### THE GUANGZHOU XINGUANG DEBT ASSIGNMENT

#### Date

1 December 2009

#### Parties

- (i) GHDC
- (ii) Top Global, an indirect wholly-owned subsidiary of the Company
- (iii) Guangzhou Xinguang

#### Principal terms and conditions:

(1) *Debt Assigned*

Pursuant to the terms of the Guangzhou Xinguang Debt Assignment, Top Global agreed to acquire and GHDC agreed to assign the debt amounting to RMB107,428,000 (approximately HK\$121,814,265) owed to it by Guangzhou Xinguang together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of RMB107,428,000 (approximately HK\$121,814,265) based on a dollar for dollar basis.

(2) *Conditions Precedent*

Completion of the Guangzhou Xinguang Debt Assignment is subject to the parties having obtained all necessary consents, authorizations and approvals (including PRC government approvals, if applicable) for the above debt assignment.

(3) *Consideration*

The consideration of RMB107,428,000 (approximately HK\$121,814,265) for the above debt assignment to be paid by Top Global to GHDC was determined with reference to the book value of such debts as at 30 September 2009 which will be settled by way of partial setoff against the Compensation payment to be made by GHDC to the Company in accordance with an accounting setoff arrangement approved by GZ SASAC.

---

## LETTER FROM THE BOARD

---

It is the intention of the parties that completion of Guangzhou Xinguang Debt Assignment shall take place immediately after all the conditions precedent for the Guangzhou Xinguang Equity Transfer Contract have been satisfied.

### THE GUANGZHOU TAILONG EQUITY TRANSFER CONTRACT

#### Date

1 December 2009

#### Parties

- (i) GHDC
- (ii) Fortune Success, an indirect wholly-owned subsidiary of the Company

#### Principal terms and conditions:

##### (1) *Equity Interest Acquired*

Pursuant to the terms of the Guangzhou Tailong Equity Transfer Contract, Fortune Success agreed to acquire and GHDC agreed to sell its 39% equity interest in Guangzhou Tailong together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of HK\$ equivalent of RMB41,847,200 at the prevailing exchange rate (approximately HK\$47,451,185).

##### (2) *Conditions Precedent*

Completion of the Guangzhou Tailong Equity Transfer Contract is subject to the parties having obtained all necessary consents, authorizations and PRC government approvals for the above equity interest transfer.

##### (3) *Consideration*

The total consideration of HK\$ equivalent of RMB41,847,200 at the prevailing exchange rate (approximately HK\$47,451,185) for the above equity transfer will, within five business days of signing the Guangzhou Tailong Equity Transfer Contract, be deposited in cash by Fortune Success with GEMAS as the escrow agent in accordance with the Interim Measures on Administration of Enterprise-State-Ownership Transfer.

At the time of signing of the Guangzhou Tailong Equity Transfer Contract, Fortune Success also entered into a GEMAS Foreign Capital Escrow Agreement with GHDC and GEMAS, pursuant to which GEMAS will hold the said HK\$ equivalent of RMB41,847,200 in its foreign capital escrow account until the parties have obtained all necessary consents, authorizations and PRC government

---

## LETTER FROM THE BOARD

---

approvals for the above equity transfer. Upon fulfillment of the above conditions, GEMAS will release the said sum to GHDC's account as approved by the SAFE. GHDC will then arrange for the foreign currency settlement with the designated bank in accordance with the relevant requirements of the SAFE and transfer the said sum back to the Company in partial payment of the Compensation.

The consideration for the aforesaid 39% equity interest transfer which was arrived at after arm's length negotiations between the parties, represents an approximately 41.3% discount to the valuation of the fair value of the 39% equity interest of Guangzhou Tailong in the amount of RMB71.3 million as at 30 September 2009 as appraised by GCA by adopting the income approach with discounted cash flow modeling which constitutes a profit forecast under Rule 14.61 of the Listing Rules. The consideration is approximately close to the book value of the 39% equity interest of Guangzhou Tailong as at 30 June 2009.

### THE GUANGZHOU TAILONG DEBT ASSIGNMENT

#### Date

1 December 2009

#### Parties

- (i) GHDC
- (ii) Fortune Success, an indirect wholly-owned subsidiary of the Company
- (iii) Guangzhou Tailong

#### Principal terms and conditions:

(1) *Debt Assigned*

Pursuant to the terms of the Guangzhou Tailong Debt Assignment, Fortune Success agreed to acquire and GHDC agreed to assign the debt amounting to RMB65,132,600 (approximately HK\$73,854,859) owed to it by Guangzhou Tailong together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of RMB65,132,600 (approximately HK\$73,854,859) based on a dollar for dollar basis.

(2) *Conditions Precedent*

Completion of the Guangzhou Tailong Debt Assignment is subject to the parties having obtained all necessary consents, authorizations and approvals (including PRC government approvals, if applicable) for the above debt assignment.

---

## LETTER FROM THE BOARD

---

### (3) *Consideration*

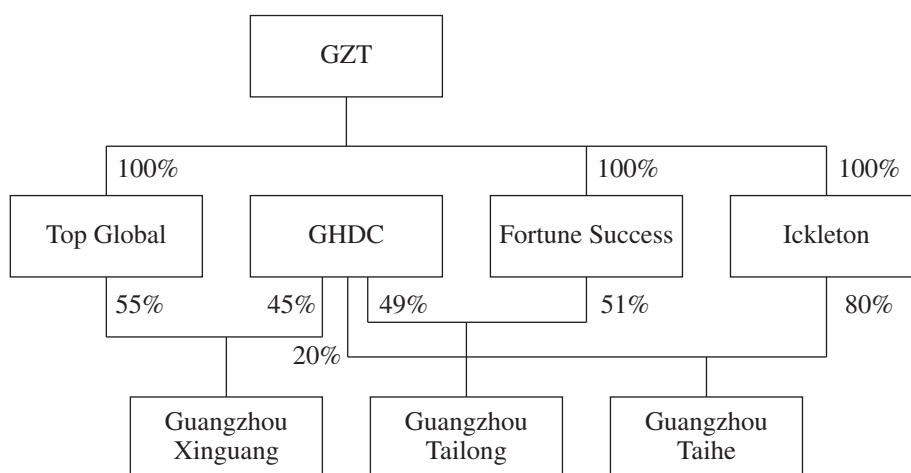
The consideration of RMB65,132,600 (approximately HK\$73,854,859) for the above debt assignment to be paid by Fortune Success to GHDC was determined with reference to the book value of such debts as at 30 September 2009 which will be settled by way of partial setoff against the Compensation payment to be made by GHDC to the Company in accordance with an accounting setoff arrangement approved by GZ SASAC.

It is the intention of the parties that completion of the Guangzhou Tailong Debt Assignment shall take place immediately after all the conditions precedent for the Guangzhou Tailong Equity Transfer Contract have been satisfied.

### **SHAREHOLDING STRUCTURES OF GUANGZHOU TAIHE, GUANGZHOU TAILONG AND GUANGZHOU XINGUANG BEFORE AND AFTER COMPLETION**

The charts below illustrate the shareholding structures of Guangzhou Taihe, Guangzhou Tailong and Guangzhou Xinguang prior to and immediately after Completion:

#### *Prior to Completion:*

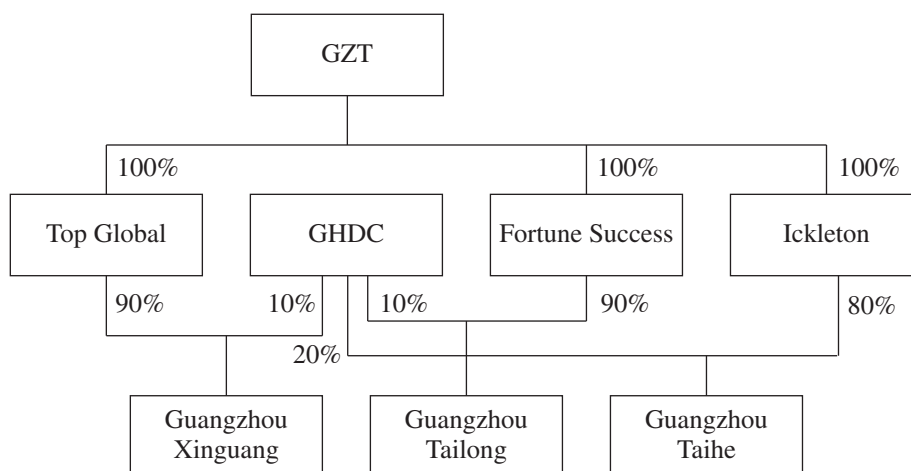


---

## LETTER FROM THE BOARD

---

### *Immediately after Completion:*



### REASONS AND BENEFITS FOR THE TRANSACTIONS

Since 1 January 2009, the Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe, has closed down for relocation and town planning at the request of the GZ Government on the understanding that the loss occasioned by such relocation would be compensated. On 1 December 2009, GHDC and the relevant Group members entered into five definitive agreements in this respect, namely, the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment.

It is estimated that, based on the difference between the sum of the Company's attributable interest (through Ickleton) in the net asset value of Guangzhou Taihe and the Company's net receivable from Guangzhou Taihe as at 30 June 2009 and the Compensation, there will be no material gain or loss (before release of exchange reserve) resulting from the Transactions. The final and actual net gain or loss, if any, from the Transactions may change depending on the net asset value of Guangzhou Taihe at Completion.

The Directors (including the independent non-executive Directors) consider that (i) the terms of each of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment have been negotiated on an arm's length basis and are on normal commercial terms and in the ordinary course of business, (ii) the Compensation under the Compensation Agreement and the consideration for the aforesaid equity transfers and the debt assignments under each of the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment are fair and reasonable; and (iii) the entering into each of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions are in the best interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### INFORMATION ON GUANGZHOU TAIHE

Guangzhou Taihe is a cooperative joint venture established in the PRC. It was principally engaged in the development and management of Guangcong Highway Section I linking Guangzhou and Conghua. The respective equity interest of Ickleton and GHDC in Guangzhou Taihe are 80% and 20% respectively.

Set out below is certain financial information in relation to Guangzhou Taihe for the two years ended 31 December 2008 and the six months ended 30 June 2009 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended		For the six
	31 December	31 December	months ended
	2007	2008	30 June
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit/(Loss) before tax and extraordinary items	20,971	24,759	(76,376)
Profit /(Loss) after tax and extraordinary items	16,910	20,514	(76,102)
Profit/(Loss) after tax attributable to the equity holders of the Company	14,242	16,412	(60,881)

The above unaudited loss before and after tax and extraordinary items of Guangzhou Taihe for the six months ended 30 June 2009 included a provision for impairment loss of approximately HK\$70.3 million (of which approximately HK\$14.1 million was attributable to minority interest). The unaudited net asset value of Guangzhou Taihe as at 30 June 2009 was approximately HK\$145.7 million, of which approximately HK\$116.5 million was attributable to the 80% equity interest of Ickleton. Total debts (including shareholder's loan) of Guangzhou Taihe as at 30 June 2009 were approximately HK\$151.9 million, of which approximately HK\$133.8 million was the Company's net receivable from Guangzhou Taihe (through Ickleton and related company).

Upon completion of the Compensation Agreement, Guangzhou Taihe will be held as to 20% by GHDC and 80% by Ickleton and will continue to be the subsidiary of the Company. As at the Latest Practicable Date, there is no current plan on the future operation of Guangzhou Taihe after the closure of the Taihe toll station of Guangcong Highway Section I.

### INFORMATION ON GUANGZHOU XINGUANG

Guangzhou Xinguang is a cooperative joint venture established in the PRC, the equity interest of which is held as to 55% by Top Global and as to 45% by GHDC. It is principally engaged in the development and management of Guanghua Highway linking Guangzhou and Huadu. Pursuant to the Sino-foreign cooperative joint venture contract entered into between Top Global and GHDC dated 11 June 1997, GHDC contributed 45% of the registered capital, being RMB19.35 million and shareholder's loan of RMB174.15 million, towards the establishment of Guangzhou Xinguang.



---

## LETTER FROM THE BOARD

---

Set out below is certain financial information in relation to Guangzhou Xinguang for the two years ended 31 December 2008 and the six months ended 30 June 2009 prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended		For the six
	31 December	31 December	months ended
	2007	2008	30 June
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit/(Loss) before tax and extraordinary items	586	5,217	(31,969)
Profit/(Loss) after tax and extraordinary items	(18,262)	4,365	(32,675)
Profit/(Loss) after tax attributable to the equity holders of the Company	(9,052)	(7,392)	(16,109)

The above unaudited loss before and after tax and extraordinary items of Guangzhou Xinguang for the six months ended 30 June 2009 included a provision for impairment loss of approximately HK\$28.6 million (of which approximately HK\$12.9 million was attributable to minority interest). The unaudited net asset value of Guangzhou Xinguang as at 30 June 2009 was approximately HK\$10.1 million, of which approximately HK\$5.6 million was attributable to the 55% equity interest of Top Global.

Upon completion of the Guangzhou Xinguang Equity Transfer Contract, Guangzhou Xinguang will be held as to 90% and 10% by Top Global and GHDC respectively.

### INFORMATION ON GUANGZHOU TAILONG

Guangzhou Tailong is a cooperative joint venture established in the PRC, the equity interest of which is held as to 51% by Fortune Success and as to 49% by GHDC. It is principally engaged in the development and management of Guangcong Highway Section II linking Guangzhou and Conghua, and Provincial Highway 355 linking Conghua and Longtan. Pursuant to the Sino-foreign cooperative joint venture contract entered into between Fortune Success and GHDC dated 11 June 1997, GHDC contributed 49% of the registered capital, being RMB17.15 million and shareholder's loan of RMB154.35 million, towards the establishment of Guangzhou Tailong.

---

## LETTER FROM THE BOARD

---

Set out below is certain financial information in relation to Guangzhou Tailong for the two years ended 31 December 2008 and the six months ended 30 June 2009 prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the year ended</b>		<b>For the six</b>
	<b>31 December</b>	<b>31 December</b>	<b>months ended</b>
	<b>2007</b>	<b>2008</b>	<b>30 June</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit/(Loss) before tax and extraordinary items	8,898	13,935	(36,009)
Profit/(Loss) after tax and extraordinary items	6,265	9,084	(34,411)
Profit/(Loss) after tax attributable to the equity holders of the Company	3,497	4,633	(17,549)

The above unaudited loss before and after tax and extraordinary items of Guangzhou Tailong for the six months ended 30 June 2009 included a provision for impairment loss of approximately HK\$38.3 million (of which approximately HK\$18.8 million was attributable to minority interest). The unaudited net asset value of Guangzhou Tailong as at 30 June 2009 was approximately HK\$121.8 million, of which approximately HK\$62.1 million was attributable to the 51% equity interest of Fortune Success.

Upon completion of the Guangzhou Tailong Equity Transfer Contract, Guangzhou Tailong will be held as to 90% and 10% by Fortune Success and GHDC respectively.

### GENERAL INFORMATION ABOUT GZI

GZI is principally engaged in property investment and development, operation of toll roads and bridges.

For the financial year ended 31 December 2008, the audited consolidated total turnover of GZI was approximately HK\$4.17 billion with profit attributable to equity holders of approximately HK\$608.0 million. The audited consolidated total asset value as at 31 December 2008 was approximately HK\$42.9 billion.

### GENERAL INFORMATION ABOUT THE COMPANY

The Company is principally engaged in investment in and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the PRC.

For the financial year ended 31 December 2008, the audited consolidated total turnover of the Company was approximately HK\$1.0 billion with profit attributable to equity holders of approximately HK\$607.5 million. The audited consolidated total asset value as at 31 December 2008 was approximately HK\$12.1 billion.

---

## LETTER FROM THE BOARD

---

### INFORMATION ABOUT GHDC, TOP GLOBAL, FORTUNE SUCCESS AND ICKLETON

(i) *GHDC*

GHDC, a PRC state-owned enterprise, is principally engaged in the holding of interests in, and the development of, toll highways, expressways and bridges mainly in Guangdong Province. GHDC is a connected person of GZI and the Company.

(ii) *Top Global*

Top Global, an indirect wholly-owned subsidiary of the Company, is an investment holding company and is a company incorporated in the British Virgin Islands. Top Global was registered as an overseas company under Part XI of the Companies Ordinance on 23 March 2009. Save and except for the 55% equity interest in, and the said receivable from Guangzhou Xinguang, Top Global has no other assets or businesses.

(iii) *Fortune Success*

Fortune Success, an indirect wholly-owned subsidiary of the Company, is an investment holding company and is a company incorporated in the British Virgin Islands. Fortune Success was registered as an overseas company under Part XI of the Companies Ordinance on 23 March 2009. Save and except for the 51% of equity interest in Guangzhou Tailong, Fortune Success has no other assets or businesses.

(iv) *Ickleton*

Ickleton, an indirect wholly-owned subsidiary of the Company, is an investment holding company and is a company incorporated in the British Virgin Islands. Save and except for the 80% equity interest in, and said receivable from Guangzhou Taihe, Ickleton has no other assets or businesses.

### LISTING RULES IMPLICATION

GHDC is a connected person of the Company because GHDC is a substantial shareholder holding 20%, 49%, 45%, 20%, 20% and 30% respectively of equity interest in six subsidiaries of the Company (namely, Guangzhou Taihe, Guangzhou Tailong, Guangzhou Xinguang, 廣州市維安公路發展有限公司 (Guangzhou Weian Highways Development Company Limited\*), 廣州市南新公路發展有限公司 (Guangzhou Nanxin Highways Development Company Limited\*) and 廣州市北二環高速公路有限公司 (Guangzhou Northern Second Ring Expressway Co., Ltd.\*)). The entering into the Compensation Agreement between GHDC and the Company, the Guangzhou Xinguang Equity Transfer Contract between GHDC and Top Global, the Guangzhou Xinguang Debt Assignment among GHDC, Top Global and Guangzhou Xinguang, the Guangzhou Tailong Equity Transfer Contract between GHDC and Fortune Success and the Guangzhou Tailong Debt Assignment among GHDC, Fortune Success and Guangzhou Tailong therefore constitute a connected transaction for the Company.

---

## LETTER FROM THE BOARD

---

Based on the applicable size tests set forth in Rule 14.07 of the Listing Rules, the entering into the Compensation Agreement between GHDC and the Company, the Guangzhou Xinguang Equity Transfer Contract between GHDC and Top Global, the Guangzhou Xinguang Debt Assignment among GHDC, Top Global and Guangzhou Xinguang, the Guangzhou Tailong Equity Transfer Contract between GHDC and Fortune Success and the Guangzhou Tailong Debt Assignment among GHDC, Fortune Success and Guangzhou Tailong constitute a discloseable and connected transaction of the Company which is subject to the reporting and announcement requirements as well as approval of the independent shareholders of the Company.

The Independent Board Committee has been formed to advise the Shareholders on the fairness and reasonableness of the terms of each of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment. An independent financial adviser, Yu Ming, has been appointed to advise the Independent Board Committee in respect of the same.

Pursuant to Rule 14A.43 of the Listing Rules, a written independent shareholders' approval obtained from a closely allied group of shareholders holding more than 50% in nominal value of the securities giving the right to attend and vote at a general meeting convened to approve the connected transaction may be accepted in lieu of holding such a general meeting if no shareholder of the listed issuer is required to abstain from voting if the listed issuer were to convene such a general meeting. The Directors have confirmed that save as those interests in the six subsidiaries of the Company, GHDC and its associates do not hold any Shares, and GHDC is not a connected person of the Company by virtue of any other connection with the Company. Therefore, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment in accordance with the Listing Rules.

---

## LETTER FROM THE BOARD

---

As at the date of the Announcement, the Closely Allied Group together held 1,177,880,113 Shares (equivalent to approximately 70.40% of the issued share capital of the Company). Their respective shareholdings in the Company were set out below:-

<b>Name of registered owners</b>	<b>No. of Shares</b>
Housemaster Holdings Limited <sup>(Note 1)</sup>	367,500,000
Power Head Limited <sup>(Note 2)</sup>	157,500,000
Delta Force Holdings Limited <sup>(Note 2)</sup>	112,500,000
Lawson Enterprises Limited <sup>(Note 2)</sup>	112,500,000
Treasure House Limited <sup>(Note 2)</sup>	375,000,000
GZI <sup>(Note 2)</sup>	201,000
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) <sup>(Note 1)</sup>	8,653
Yue Xiu Finance Company Limited <sup>(Note 1)</sup>	38,255,000
Dragon Year Industries Ltd. <sup>(Note 1)</sup>	654,000
Greenwood Pacific Limited <sup>(Note 1)</sup>	<u>13,761,460</u>
Total	<u><u>1,177,880,113</u></u>

As at the date of the Announcement, the Company had an issued share capital of HK\$167,316,229.50 divided into 1,673,162,295 Shares in the Company, of which 1,177,880,113 Shares were held by the Closely Allied Group as follows:

- (a) 420,179,113 Shares representing approximately 25.11% of the issued share capital of the Company were held by Yue Xiu and its wholly-owned subsidiaries, namely Housemaster Holdings Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd. and Greenwood Pacific Limited<sup>(Note 1)</sup>; and
- (b) 757,701,000 Shares representing approximately 45.29% of the issued share capital of the Company, were held by GZI and its wholly-owned subsidiaries, namely Power Head Limited, Delta Force Holdings Limited, Lawson Enterprises Limited and Treasure House Limited<sup>(Note 2)</sup>.

*Note 1:* As at the Latest Practicable Date, the Company had an issued share capital of HK\$167,316,229.50 divided into 1,673,162,295 Shares in the Company, of which 1,006,366,050 Shares (equivalent to approximately 60.15% of the issued share capital of the Company) were held by Yue Xiu and its wholly-owned subsidiaries, namely, Grace Lord Group Limited, Housemaster Holdings Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd. and Greenwood Pacific Limited.

*Note 2:* As at the Latest Practicable Date, GZI and its wholly-owned subsidiaries, namely, Power Head Limited, Delta Force Holdings Limited, Lawson Enterprises Limited and Treasure House Limited had ceased to hold any Share in the Company.

---

## LETTER FROM THE BOARD

---

All members of the Closely Allied Group confirmed that they would give their approval in writing of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment. They further confirmed that in the event that independent shareholders' approval of the Company at a general meeting in respect of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions was required, they would vote in favour of it. They did not have any material interest in each of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment which was different from those of the other Shareholders. Accordingly, the Company had applied to the Stock Exchange for a waiver from strict compliance with the requirement to hold a general meeting to seek independent shareholders' approval of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions pursuant to Rule 14A.43 of the Listing Rules, and the Stock Exchange granted such waiver on 30 November 2009.

The Independent Board Committee has been formed to advise the Shareholders in respect of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions. Yu Ming has been appointed as independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the same. GCA has been appointed to prepare the valuation report.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 22 to 23 of this circular and the letter from Yu Ming to the Independent Board Committee and the Shareholders as set out on pages 24 to 36 of this circular. Having taken into account the advice of Yu Ming, the Independent Board Committee considers that the terms of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions are fair and reasonable so far as the interests of the Shareholders are concerned and that the entering into the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment are in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

Your attention is also drawn to the business valuation report dated 1 December 2009, the traffic and revenue forecast dated 14 November 2009, the letter from the reporting accountant in relation to discounted future estimated cash flows dated 1 December 2009 and the letter from the board of directors of GZI and the Board in relation to valuations dated 1 December 2009 which are set out in Appendices I to IV, respectively. The Board is of the view that there is no material change which should be brought to the attention of the Shareholders since the date of the respective report or letter and up to the Latest Practicable Date.

Yours faithfully,  
For and on behalf of the Board  
**GZI TRANSPORT LIMITED**  
**ZHANG Zhaoxing**  
*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



越秀交通有限公司\*

**GZI Transport Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1052)**

*To Shareholders*

22 December 2009

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

We refer to the circular dated 22 December 2009 to the Shareholders (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context of this letter otherwise requires.

The Independent Board Committee has been appointed by the Board to consider and advise the Shareholders on the terms of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions, details of which are set out in the letter from the Board contained in the Circular. Yu Ming has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this respect.

Under the Listing Rules, the entering into the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment constitutes a disclosable and connected transaction of the Company. We wish to draw your attention to the letter from Yu Ming, which contains its advice to us in respect of the terms of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions as set out on pages 24 to 36 of the Circular. We have discussed that letter and the advice contained therein with Yu Ming.

Having considered, among other things, the factors and reasons considered by, and the advice of, Yu Ming, as stated in the aforementioned letter in respect of entering into the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment, we are of the opinion, and concur with the views of Yu Ming, that the terms of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions are fair and reasonable as far as the Shareholders are

\* *For identification purpose only*



---

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

---

concerned and the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,

For and on behalf of

Independent Board Committee

of GZI Transport Limited

**FUNG Ka Pun**

**LAU Hon Chuen Ambrose**

**CHEUNG Doi Shu**

*Independent non-executive Directors*

---

## LETTER FROM YU MING

---

*The following is the full text of a letter of advice from Yu Ming Investment Management Limited (the “Letter”) to the Independent Board Committee and the Shareholders of the Company prepared for the purpose of inclusion in this circular.*



禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

22 December 2009

*The Independent Board Committee  
and Shareholders of the Company:*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

Reference is made to the proposed Transactions, details of which are set out in the circular of the Company dated 22 December 2009 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in this Circular.

The Transactions involve five definitive agreements namely: (i) the Compensation Agreement entered into between GHDC and the Company; (ii) the Guangzhou Xinguang Equity Transfer Contract entered into between GHDC and Top Global; (iii) the Guangzhou Xinguang Debt Assignment entered into among GHDC, Top Global and Guangzhou Xinguang; (iv) the Guangzhou Tailong Equity Transfer Contract entered into between GHDC and Fortune Success; and (v) the Guangzhou Tailong Debt Assignment entered into among GHDC, Fortune Success and Guangzhou Tailong. GHDC is a connected person of the Company because GHDC is a substantial shareholder holding 20%, 49%, 45%, 20%, 20% and 30% respectively of equity interest in six subsidiaries of the Company (namely, Guangzhou Taihe, Guangzhou Tailong, Guangzhou Xinguang, 廣州市維安公路發展有限公司 (Guangzhou Weian Highways Development Company Limited\*), 廣州市南新公路發展有限公司 (Guangzhou Nanxin Highways Development Company Limited\*) and 廣州市北二環高速公路有限公司 (Guangzhou Northern Second Ring Expressway Co., Ltd.\*)). The entering into the Compensation Agreement between GHDC and the Company, the Guangzhou Xinguang Equity Transfer Contract between GHDC and Top Global, the Guangzhou Xinguang Debt Assignment among GHDC, Top Global and Guangzhou Xinguang, the Guangzhou Tailong Equity Transfer Contract between GHDC and Fortune Success and the Guangzhou Tailong Debt Assignment among GHDC, Fortune Success and Guangzhou Tailong therefore constitute a connected transaction for the Company.

Based on the applicable size tests set forth in Rule 14.07 of the Listing Rules, the entering into the Compensation Agreement between GHDC and the Company, the Guangzhou Xinguang Equity Transfer Contract between GHDC and Top Global, the Guangzhou Xinguang Debt Assignment among GHDC, Top Global and Guangzhou Xinguang, the Guangzhou Tailong Equity Transfer Contract

---

## LETTER FROM YU MING

---

between GHDC and Fortune Success and the Guangzhou Tailong Debt Assignment among GHDC, Fortune Success and Guangzhou Tailong constitute a discloseable and connected transaction of the Company which is subject to the reporting and announcement requirements as well as approval of the independent shareholders of the Company.

Pursuant to Rule 14A.43 of the Listing Rules, a written independent shareholders' approval obtained from a closely allied group of shareholders holding more than 50% in nominal value of the securities giving the right to attend and vote at a general meeting convened to approve the connected transaction may be accepted in lieu of holding such a general meeting if no shareholder of the listed issuer is required to abstain from voting if the listed issuer were to convene such a general meeting. The Directors have confirmed that save as those interests in the six subsidiaries of the Company, GHDC is not a connected person of the Company by virtue of any other connection with the Company. Therefore, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment in accordance with the Listing Rules.

An Independent Board Committee has been formed to advise the Shareholders on the fairness and reasonableness of the terms of each of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders of the Company as to whether the terms and conditions of the five agreements mentioned above are fair and reasonable so far as the Shareholders of the Company are concerned and whether the proposed Transactions are in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in this Circular and the statements, information, opinions and representations provided to us by the Directors and professional advisers of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided to us by the Directors for which they are solely responsible are, to the best of their knowledge, true and accurate at the time they were made and continue to be so on the date of this letter.

We consider that we have reviewed sufficient information and have taken sufficient and reasonable steps as required under Rule 13.80 of the Listing Rules which enables us to reach an informed view and to provide us with a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Group.

---

## LETTER FROM YU MING

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion as to the reasonableness and fairness of the five definitive agreements under the proposed Transactions so far as the Shareholders of the Company are concerned and whether the proposed Transactions are in the interests of the Company and the Shareholders as a whole, we have considered the following principal factors, which are further analysed in the following paragraphs of this letter:

#### 1. Reasons for and backgrounds of the Transactions

Since 1 January 2009, the Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe, has closed down for relocation and town planning at the request of the Guangzhou Municipal People's Government ("GZ Government") on the understanding that the loss occasioned by such relocation would be compensated. On 1 December 2009, GHDC and the relevant Group members entered into five definitive agreements in this respect, namely, the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment.

#### *View*

The profit after tax of Guangzhou Taihe attributable to the equity holders of the Company was approximately HK\$16.4 million for the year ended 31 December 2008. The closure for relocation of the Taihe toll station of the Guangcong Highway Section I removed the future profits of Guangzhou Taihe. The Compensation Agreement is conditional upon, among others, the entering into of the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment among GHDC and relevant Group members, and utilization of the relevant consideration by GHDC to pay the Compensation.

The entering into of the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment forms part of the Compensation Agreement. We are of the opinion that these four agreements are fair and reasonable to the Company and the Shareholders as a whole. Readers may refer to the later paragraphs of this letter for our detailed analysis.

Since the entering into of the Compensation Agreement between GHDC and the Company compensates the loss of the Company in relation with the closure of Taihe toll station of Guangcong Highway Section I, we are of the opinion that the rationale behind the Transactions is reasonable.

---

## LETTER FROM YU MING

---

### 2. The Compensation Agreement

#### a. *Principal terms and conditions*

The Compensation Agreement was entered into between GHDC and the Company on 1 December 2009, pursuant to which The GZ Government acknowledges that the Company shall be entitled to compensation in a sum of RMB 217,927,400 (approximately HK\$247,111,238) (the “Compensation”) for the closure of Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe since 1 January 2009.

#### b. *Basis of the consideration*

The Compensation was determined in accordance with the policies of the GZ Government and agreed between the parties with reference to the respective book value of the equity interest in Guangzhou Xinguang and Guangzhou Tailong as at 30 June 2009 and debts owed to GHDC by Guangzhou Xinguang and Guangzhou Tailong as at 30 September 2009.

#### c. *Payment of the consideration*

GHDC will transfer its 35% equity interest in Guangzhou Xinguang for a consideration of HK\$ equivalent of RMB3,519,600 at the prevailing exchange rate (approximately HK\$3,990,929), and assign the debt amounting to RMB107,428,000 (approximately HK\$121,814,265) owed to it by Guangzhou Xinguang and transfer its 39% equity interest in Guangzhou Tailong for a consideration of HK\$ equivalent of RMB41,847,200 at the prevailing exchange rate (approximately HK\$47,451,185), and assign the debt amounting to RMB65,132,600 (approximately HK\$73,854,859) owed to it by Guangzhou Tailong and utilize the cash consideration received for the above equity transfers and the debt assignments in accordance with an accounting setoff arrangement approved by GZ SASAC to settle the Compensation.

#### *View*

We refer to the paragraph headed “Introduction” in the Business Valuation Report set out in Appendix I of this Circular. We endorse the view expressed by GCA in relation with the valuation of Guangzhou Taihe that (i) the estimation of Guangzhou Taihe by the use of income approach is not possible since the Taihe toll station of Guangcong Highway Section I was closed down for relocation and currently has no toll revenue generated from the toll road operation; (ii) due to Guangzhou Taihe’s unique condition, it is difficult to perform meaningful comparisons to market peers hence market approach is not appropriate to estimate the fair value of Guangzhou Taihe; and (iii) book value is regarded to be fair and reasonable.

As at 30 June 2009, the sum of the 80% equity interest of Guangzhou Taihe attributable to Ickleton and the Company’s net receivable from Guangzhou Taihe (the “Carrying Value”) was approximately HK\$250.3 million. The Compensation of approximately HK\$247,111,238 represents a discount of approximately 1.3% to the Carrying Value. We are of the opinion that the Compensation is close to the Carrying Value.

---

## LETTER FROM YU MING

---

The Compensation will be utilized to acquire from GHDC the equity interest in and debts owed by Guangzhou Xinguang and Guangzhou Tailong through the terms as defined in the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment. Our opinion towards the four contracts above are set out in the following sections in this letter, and we are of the opinion that the four contracts above, thus the Compensation Agreement are fair and reasonable as far as the interests of the Company and the Shareholders are concerned.

### 3. The Guangzhou Xinguang Equity Transfer Contract

#### a. *Principal terms and conditions*

On 1 December 2009, GHDC and Top Global entered into the Guangzhou Xinguang Equity Transfer Contract. Pursuant to the terms of the Guangzhou Xinguang Equity Transfer Contract, Top Global agreed to acquire and GHDC agreed to sell its 35% equity interest in Guangzhou Xinguang together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of HK\$ equivalent of RMB3,519,600 at the prevailing exchange rate (approximately HK\$3,990,929).

Completion of the Guangzhou Xinguang Equity Transfer Contract is subject to the parties having obtained all necessary consents, authorizations and PRC government approvals for the above equity interest transfer.

#### b. *Consideration and payment method*

The consideration of HK\$ equivalent of RMB3,519,600 at the prevailing exchange rate (approximately HK\$3,990,929) for the above equity transfer will, within five business days of signing the Guangzhou Xinguang Equity Transfer Contract, be deposited in cash by Top Global with Guangzhou Enterprises Mergers and Acquisitions Services (廣州產權交易所) (“GEMAS”) as the escrow agent in accordance with the Interim Measures on Administration of Enterprise-State-Ownership Transfer (《企業國有產權轉讓管理暫行辦法》).

At the time of signing of the Guangzhou Xinguang Equity Transfer Contract, Top Global also entered into a GEMAS Foreign Capital Escrow Agreement with GHDC and GEMAS, pursuant to which GEMAS will hold the said HK\$ equivalent of RMB3,519,600 in its foreign capital escrow account until the parties have obtained all necessary consents, authorizations and PRC government approvals for the above equity transfer. Upon fulfillment of the above conditions, GEMAS will release the said sum to GHDC’s account as approved by the SAFE. GHDC will then arrange for the foreign currency settlement with the designated bank in accordance with the relevant requirements of the SAFE and transfer the said sum back to the Company in partial payment of the Compensation.

---

## LETTER FROM YU MING

---

The consideration for the aforesaid 35% equity interest transfer which was arrived at after arm's length negotiations between the parties, represents an approximately 36.0% discount to the valuation of the fair value of the 35% equity interest of Guangzhou Xinguang in the amount of RMB5.5 million as at 30 September 2009 as appraised by GCA by adopting the income approach with discounted cash flow modeling. The consideration represents an approximately RMB0.39 million or approximately 12.6% premium over the book value of the 35% equity interest of Guangzhou Xinguang as at 30 June 2009.

### *View*

On the premise that the bases and assumptions applied in the valuation report by GCA are fair and reasonable and that the consideration is at a 36.0% discount to the valuation of 35% equity interest of Guangzhou Xinguang as appraised by GCA, we are of the opinion that the consideration is favourable to Top Global. (Details of our opinion towards the valuation report issued by GCA in relation to the 35% equity interest of Guangzhou Xinguang and 39% equity interest of Guangzhou Tailong are mentioned in the section headed "7. Valuation of the fair value of 35% equity interest of Guangzhou Xinguang and 39% equity interest of Guangzhou Tailong" of this Letter.)

According to the management of the Company, it is a required practice for transactions of state-owned assets in the PRC to have the consideration payable firstly deposited with GEMAS as the escrow agent before the parties have obtained all necessary consents, authorizations and PRC government approvals for the clearance of respective transactions. So the entering into of the escrow agreement with GEMAS is inevitable.

We are of the opinion that the entering into of the Guangzhou Xinguang Equity Transfer Contract by Top Global with GHDC is fair and reasonable as far as the interests of Shareholders and the Company are concerned.

#### **4. The Guangzhou Xinguang Debt Assignment**

##### **a. *Principal terms and conditions***

On 1 December 2009, GHDC, Top Global and Guangzhou Xinguang entered into the Guangzhou Xinguang Debt Assignment. Pursuant to the terms of the Guangzhou Xinguang Debt Assignment, Top Global agreed to acquire and GHDC agreed to assign the debt amounting to RMB107,428,000 (approximately HK\$121,814,265) owed to it by Guangzhou Xinguang together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of RMB107,428,000 (approximately HK\$121,814,265) based on a dollar for dollar basis.

Completion of the Guangzhou Xinguang Debt Assignment is subject to the parties having obtained all necessary consents, authorizations and approvals (including PRC government approvals, if applicable) for the above debt assignment.

---

## LETTER FROM YU MING

---

b. *Consideration and payment method*

The consideration of RMB107,428,000 (approximately HK\$121,814,265) for the above debt assignment to be paid by Top Global to GHDC was determined with reference to the book value of such debts as at 30 September 2009 which will be settled by way of partial set off against the Compensation payment to be made by GHDC to the Company in accordance with an accounting setoff arrangement approved by GZ SASAC.

*View*

The consideration for the debt assigned under the Guangzhou Xinguang Debt Assignment is determined with reference to the book value of such debts as at 30 September 2009 in a dollar for dollar basis, we concur with the Board's view that the Guangzhou Xinguang Debt Assignment is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

5. **The Guangzhou Tailong Equity Transfer Contract**

a. *Principal terms and conditions*

On 1 December 2009, GHDC and Fortune Success entered into the Guangzhou Tailong Equity Transfer Contract. Pursuant to the terms of the Guangzhou Tailong Equity Transfer Contract, Fortune Success agreed to acquire and GHDC agreed to sell its 39% equity interest in Guangzhou Tailong together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of HK\$ equivalent of RMB41,847,200 at the prevailing exchange rate (approximately HK\$47,451,185).

Completion of the Guangzhou Tailong Equity Transfer Contract is subject to the parties having obtained all necessary consents, authorizations and PRC government approvals for the above equity interest transfer.

b. *Consideration and payment method*

The total consideration of HK\$ equivalent of RMB41,847,200 at the prevailing exchange rate (approximately HK\$47,451,185) for the above equity transfer will, within five business days of signing the Guangzhou Tailong Equity Transfer Contract, be deposited in cash by Fortune Success with GEMAS as the escrow agent in accordance with the Interim Measures on Administration of Enterprise-State-Ownership Transfer.

At the time of signing of the Guangzhou Tailong Equity Transfer Contract, Fortune Success also entered into a GEMAS Foreign Capital Escrow Agreement with GHDC and GEMAS, pursuant to which GEMAS will hold the said HK\$ equivalent of RMB41,847,200 in its foreign capital escrow account until the parties have obtained all necessary consents, authorizations and PRC government approvals for the above equity transfer. Upon fulfillment of the above conditions, GEMAS will release the said sum to GHDC's account as approved by the SAFE. GHDC will then arrange for the foreign currency settlement with the designated bank in accordance with the relevant requirements of the SAFE and transfer the said sum back to the Company in partial payment of the Compensation.



---

## LETTER FROM YU MING

---

The consideration for the aforesaid 39% equity interest transfer which was arrived at after arm's length negotiations between the parties, represents an approximately 41.3% discount to the valuation of the fair value of the 39% equity interest of Guangzhou Tailong in the amount of RMB71.3 million as at 30 September 2009 as appraised by GCA. The consideration was close to the book value of the 39% equity interest of Guangzhou Tailong as at 30 June 2009.

### *View*

On the premise that the bases and assumptions applied in the valuation report by GCA are fair and reasonable and that the consideration is at a 41.3% discount to the valuation of 39% equity interest of Guangzhou Tailong as appraised by GCA, we are of the opinion that the consideration is favourable to Fortune Success. (Details of our opinion towards the valuation report issued by GCA in relation to the 35% equity interest of Guangzhou Xinguang and 39% equity interest of Guangzhou Tailong are mentioned in the section headed "7. Valuation of the fair value of 35% equity interest of Guangzhou Xinguang and 39% equity interest of Guangzhou Tailong" in this Letter.)

According to the management of the Company, it is a required practice for transactions of state-owned assets in the PRC to have the consideration payable firstly deposited with GEMAS as the escrow agent before the parties have obtained all necessary consents, authorizations and PRC government approvals for the clearance of respective transactions. So the entering into of the escrow agreement with GEMAS is inevitable.

As such, we are of the opinion that the entering into of the Guangzhou Tailong Equity Transfer Contract by Fortune Success with GHDC is fair and reasonable as far as the interests of Shareholders and the Company are concerned.

## **6. The Guangzhou Tailong Debt Assignment**

### **a. *Principal terms and conditions***

On 1 December 2009, GHDC, Fortune Success and Guangzhou Tailong entered into the Guangzhou Tailong Debt Assignment. Pursuant to the terms of the Guangzhou Tailong Debt Assignment, Fortune Success agreed to acquire and GHDC agreed to assign the debt amounting to RMB65,132,600 (approximately HK\$73,854,859) owed to it by Guangzhou Tailong together with all the rights and benefits attaching thereto and accruing thereon from 1 January 2009 for a consideration of RMB65,132,600 (approximately HK\$73,854,859) based on a dollar for dollar basis.

Completion of the Guangzhou Tailong Debt Assignment is subject to the parties having obtained all necessary consents, authorizations and approvals (including PRC government approvals, if applicable) for the above debt assignment.

---

## LETTER FROM YU MING

---

b. *Consideration and payment method*

The consideration of RMB65,132,600 (approximately HK\$73,854,859) for the above debt assignment to be paid by Fortune Success to GHDC was determined with reference to the book value of such debts as at 30 September 2009 which will be settled by way of partial set off against the Compensation payment to be made by GHDC to the Company in accordance with an accounting setoff arrangement approved by GZ SASAC.

*View*

The consideration for the debt assigned under the Guangzhou Tailong Debt Assignment is determined with reference to the book value of such debts as at 30 September 2009, we concur with the Board's view that the Guangzhou Tailong Debt Assignment is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

7. **Valuation of the fair value of 35% equity interest of Guangzhou Xinguang and 39% equity interest of Guangzhou Tailong**

We have reviewed the methodology, discount rate, bases and assumptions employed in the valuation report in relation to the fair value of 35% equity interest of Guangzhou Xinguang and 39% equity interest of Guangzhou Tailong (together, the "Valuations") issued by GCA in this Circular in order to ascertain the reasonableness and fairness of the valuation.

a. *Valuation methodology*

For the purpose of valuation, GCA has considered three assessment methodologies, namely the market approach, asset approach and income approach. We noted that in determining the Valuations, GCA has adopted the discounted cash flow method as under the category of income approach. This method determines the present value of Guangzhou Xinguang and Guangzhou Tailong through discounting the projected cash flow of them.

We concur with GCA that the income approach is an appropriate approach in evaluating the market value of both Guangzhou Xinguang and Guangzhou Tailong since (i) toll road projects can vary significantly with different stages of development, operating terms and toll road location, number of comparable companies are insufficient to make a meaningful comparison and as such, we consider that the market approach is inappropriate in this case; (ii) future economic benefit is more important in valuing Guangzhou Xinguang and Guangzhou Tailong than the book value or the cost of acquiring the projects, therefore we consider that the cost approach is inappropriate in this case; and (iii) the discounted cash flow method is able to capture the future growth which is highly relevant to toll road business and is based on the cashflow-generating ability of Guangzhou Xinguang and Guangzhou Tailong; therefore we are of the view that the income approach is an appropriate approach to be used to evaluate the fair market value of Guangzhou Xinguang and Guangzhou Tailong.

---

## LETTER FROM YU MING

---

### b. *Basis and assumptions*

In evaluating the Valuations, we noted that GCA has also relied on the projection of traffic flow and toll revenue in the “Traffic and Revenue Forecast Study for Guanghua Highway” and “Traffic and Revenue Forecast Study for Guangcong Highway Section II” set out in Appendix II of this Circular, prepared by THI Asia Consultants Limited (the “Traffic Reports”) in determining the projected cash-flows of Guangzhou Xinguang and Guangzhou Tailong and believed the information and forecasts of traffic flow and toll revenues in the Traffic Reports provided to them are reasonable. GCA has also considered the economic outlook in the PRC, the outlook of the transport infrastructure industry in the PRC and discussed with the Company’s management in relation to the history and nature of the business, operations and prospects of Guangzhou Xinguang and Guangzhou Tailong in formulating their valuation.

### c. *Discount rate*

According to GCA’s Valuation, GCA applied a discount rate of approximately 15.0% per annum in evaluating 35% equity interest of Guangzhou Xinguang and 39% equity interest of Guangzhou Tailong. We noted that GCA has taken into account (i) the risk free rate; (ii) market premium; (iii) estimated beta of the comparable companies; (iv) small company premium; and (iv) specific company adjustment, in determining the discount rate. We have reviewed the valuation methodologies and discussed with GCA, we noted that the estimated beta of approximately 0.64 was derived based on the parameters derived from 6 comparable companies listed on the main board of the Stock Exchange and Shanghai Stock Exchange which principal business are toll road operations in the PRC. We have reviewed the comparable companies and noted that they are of similar business operation and country as Guangzhou Xinguang and Guangzhou Tailong. As such we are of the view that it is fair and reasonable to derive the beta from the comparable companies. We also noted that GCA has applied small company premium and specific company adjustment in determining the discount rate, which marked up for 3.74% over the average cost of equity in the market. After reviewing the procedures in deriving the average cost of equity and markup for small company and company specific risk factors, we are of the view that the methods used by GCA are fair and reasonable.

The risk-free rate of 4.10% adopted in calculating the discount rate was equivalent to the yield of 30-year China government bond as at 30 September 2009. Based on the remaining operating terms of approximately 18 years and 17 years for the toll roads managed by Guangzhou Xinguang and Guangzhou Tailong respectively, we are of the view that the risk free rate chosen by GCA for the Valuations is fair and reasonable.

### *View*

Having considered the above analysis and performed independent review on the key bases and assumption made in respect of the Valuations, we are of the view that the bases and assumptions applied are fair and reasonable.

---

## LETTER FROM YU MING

---

### 8. Financial effects

#### a. *Net asset value*

The unaudited net asset value of Guangzhou Taihe as at 30 June 2009 was approximately HK\$145.7 million, of which approximately HK\$116.5 million was attributable to the 80% equity interest of Ickleton. Total debts (including shareholder's loan) of Guangzhou Taihe as at 30 June 2009 were approximately HK\$151.9 million, of which approximately HK\$133.8 million was payable to the Company (through Ickleton and related company). The sum of the book value of 80% equity interest of Ickleton and the debts payable to the Company sum up to a carrying value to the Company of approximately HK\$250.3 million.

The Compensation in relation to 80% equity interest in Guangzhou Taihe as stated in the Compensation Agreement is approximately HK\$247,111,238, representing a discount of approximately HK\$3.2 million or 1.3% to the carrying value of Guangzhou Taihe to the Company as at 30 June 2009.

The consideration of 35% equity interest in Guangzhou Xinguang as stated in the Guangzhou Xinguang Equity Transfer Contract is RMB3,519,600, representing an approximately RMB0.4 million or approximately 12.6% premium over the unaudited net asset value of the 35% equity interest of Guangzhou Xinguang as at 30 June 2009. The consideration pursuant to the Guangzhou Xinguang Debt Assignment was determined with reference to the book value of such debts as at 30 September 2009.

The consideration of 39% equity interest in Guangzhou Tailong as stated in the Guangzhou Tailong Equity Transfer Contract is RMB41,847,200 and is very close to the unaudited net asset value of approximately RMB41.9 million attributable to 39% equity interest of Guangzhou Tailong as at 30 June 2009. The consideration pursuant to the Guangzhou Tailong Debt Assignment was determined with reference to the book value of such debts as at 30 September 2009.

Given that (i) the aggregate of the RMB3,519,600 consideration of the 35% equity interests in Guangzhou Xinguang pursuant to the Guangzhou Xinguang Equity Transfer Contract, the RMB 41,847,200 consideration of the 39% equity interests in Guangzhou Tailong pursuant to the Guangzhou Tailong Equity Transfer Contract, the RMB107,428,000 consideration of the debt pursuant to the Guangzhou Xinguang Debt Assignment and the RMB65,132,600 consideration of the debt pursuant to the Guangzhou Tailong Debt Assignment equals the Compensation of RMB217,927,400 as stated in the Compensation Agreement; and (ii) the consideration of each subject items pursuant to each of the agreements contemplated under the Transactions are close to their respective book value or carrying value to the Company as at 30 June 2009 or 30 September 2009 (in the case of the transacted debts in respect of the Guangzhou Xinguang Debt Assignment and the Guangzhou Tailong Debt Assignment), we concur with the Board's view that the Transactions have no material impact on the net asset value of the Company.

---

## LETTER FROM YU MING

---

### b. *Earnings*

According to the management of the Company, the interest in intangible operating right (as represented by the toll collection right of Taihe toll station of Guangcong Highway Section I) and the net receivable of the Company will be written off from the books of Guangzhou Taihe upon completion of the Transactions. No more earnings or losses from Taihe toll station will be generated or incurred that will be consolidated into the income statement of the Company. Moreover, the earnings of Guangzhou Xinguang and Guangzhou Tailong will be consolidated into the income statement of the Company following the completion of the Transactions.

As stated in the section headed “Letter from the Board” of this Circular, the unaudited loss of approximately HK\$16.1 million of Guangzhou Xinguang for the six months ended 30 June 2009 was after a one time impairment loss of HK\$15.7 million (after deducting the impairment loss attributable to minority interests) and the unaudited loss of approximately HK\$17.5 million of Guangzhou Tailong for the six months ended 30 June 2009 was after a one time impairment loss of HK\$19.5 million (after deducting the impairment loss attributable to minority interests). After the consolidation of the earnings of Guangzhou Xinguang and Guangzhou Tailong into the Company, a certain amount of interest from the shareholder’s loan owed by Guangzhou Xinguang to Top Global will be eliminated. As a result of the Transactions, the earnings of the Company will be slightly increased.

Given the relatively small size of Guangzhou Taihe, Guangzhou Xinguang and Guangzhou Tailong to the Company in terms of earnings, we consider the increase in earnings as a result of the Transactions insignificant.

### c. *Gearing*

As stated in the 2009 interim report of the Company, gearing ratio of the Company was 15.2%. As suggested by the management of the Company, gearing ratio will be decreased to 13.4% upon completion of the Transactions. We are of the opinion that the change in the gearing ratio of the Group is insignificant.

## RECOMMENDATION

Having taken into consideration the principal factors and reasons as set out above, including:

1. the reasons for and the background of the Transactions;
2. the principal terms and conditions of each of the five contracts and agreements under the Transactions;
3. the consideration for the transaction subjects for each of the five contracts and agreements under the Transactions;
4. the valuation of Guangzhou Xinguang and Guangzhou Tailong as appraised by GCA; and
5. financial effects to the Company pursuant to the Transactions.

---

## LETTER FROM YU MING

---

we are of the opinion that the terms and conditions of each of the five agreements and contracts entered into between GHDC and the Company or its respective subsidiaries are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Since the Company is principally engaged in the investment and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the PRC, the Transactions are in usual and ordinary course of business of the Company.

As all members of the Closely Allied Group, whose interests in the Company represent approximately 60.15% of the issued share capital of the Company as at the Latest Practicable Date, confirmed that they would give the approval in writing of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment. They further confirmed that in the event that independent shareholders' approval of the Company at a general meeting in respect of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions was required, they would vote in favour of it.

Accordingly, the Company has applied to the Stock Exchange a waiver from strict compliance with the requirement to hold a general meeting to seek independent shareholders' approval of the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment and the Transactions pursuant to Rule 14A.43 of the Listing Rules. Such waiver was granted by the Stock Exchange and there is no need for independent shareholders of the Company to vote for the Transactions. Nevertheless, we are of the opinion that Shareholders of the Company should support the Board to proceed with the Transactions.

Yours faithfully,

For and on behalf of

**YU MING INVESTMENT MANAGEMENT LIMITED**

**Warren Lee**

*Director*

\* *For identification purpose only*

*The following is the text of a letter from Greater China Appraisal Limited regarding the business valuation of 35% equity interest in Guangzhou Xinguang Highways Development Company Limited and 39% equity interest in Guangzhou Tailong Highways Development Company Limited for the purpose of incorporation in this circular.*

**GREATER CHINA APPRAISAL LIMITED****漢 華 評 值 有 限 公 司**

---

Room 2703  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong  
1 December 2009

The Directors  
Guangzhou Investment Company Limited  
26th Floor, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

The Directors  
GZI Transport Limited  
25th Floor, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we were engaged to perform a valuation of the fair value of 35% equity interest in Guangzhou Xinguang Highways Development Company Limited (“Guangzhou Xinguang”) and 39% equity interest in Guangzhou Tailong Highways Development Company Limited (“Guangzhou Tailong”). Guangzhou Xinguang and Guangzhou Tailong are principally engaged in the development and management of highways and are subsidiaries of GZI Transport Limited (“GZI”) as at 30 September 2009 (the “Valuation Date”).

It is our understanding that our analysis will be used as a reference for your transaction purpose, details of which are set out in the joint announcement dated 1 December 2009 issued by Guangzhou Investment Company Limited (“GZI”) and GZI to the Shareholders (the “Joint Announcement”), of which this valuation report form part. Unless otherwise stated, terms used in this valuation report have the same meanings as those defined in the Joint Announcement. Our analysis was conducted for the above mentioned purpose only and this report should be used for no other purposes.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by GZT. We assume that the financial and other information provided to us are accurate and complete, and we have relied upon this information in performing our valuation.

## INTRODUCTION

GZT is principally engaged in investment and development, operation and management of toll highways, expressways and bridges in the People's Republic of China (the "PRC"), mainly located in Guangdong Province.

### *Guangzhou Xinguang Highways Development Company Limited ("Guangzhou Xinguang")*

Guangzhou Xinguang is a cooperative joint venture established in the PRC, the equity interest of which is held as to 55% by Top Global Holdings Ltd ("Top Global"), an indirect wholly-owned subsidiary of GZT. Guangzhou Xinguang is principally engaged in the development and management of Guanghua Highway. Guanghua Highway measures approximately 20 km with six lanes which is one of the major highways connecting the urban area of Guangzhou City and the suburb of Huadu district where the New Guangzhou Airport is located. Guanghua Highway has remaining operating term of 18 years.

### *Guangzhou Tailong Highways Development Company Limited ("Guangzhou Tailong")*

Guangzhou Tailong is a cooperative joint venture established in the PRC, the equity interest of which is held as to 51% by Fortune Success Group Ltd ("Fortune Success"), an indirect wholly-owned subsidiary of GZT. Guangzhou Tailong is principally engaged in the development and management of Guangcong Highway Section II and Provincial Highway 355 ("Guangcong Highway Section II"). Guangcong Highway Section II measures approximately 33.1 km long with six lanes which connects inter-provincial traffic between Guangdong Province and provinces in Eastern China such as Jiangxi and intra-municipality traffic between Guangzhou and Conghua City in the northeast. Provincial Highway 355 measures approximately 33.3 km long with four lanes which connects inter-provincial traffic between Guangdong and Hunan provinces. Guangcong Highway Section II has remaining operating term of 17 years.

The table below represents a summary of the average daily toll traffic volume and average daily toll revenue of Guanghua Highway and Guangcong Highway Section II for the six months ended 30 June 2009<sup>1</sup>:

<b>Highways</b>	<b>Average daily toll traffic volume (vehicle/day)</b>	<b>Average daily toll revenue (RMB/day)</b>	<b>Weighted average toll fare per vehicle (RMB)</b>
Guanghua Highway	6,991	58,999	8.4
Guangcong Highway Section II & Provincial Highway 355	15,351	111,354	7.3

<sup>1</sup> Information extracted from GZT Interim Report 2009.



*Guangzhou Taihe Highways Development Company Limited (“Guangzhou Taihe”)*

Guangzhou Taihe is a cooperative joint venture established in the PRC. It was principally engaged in the development and management of Guangcong Highway Section I linking Guangzhou and Conghua. Since 1 January 2009, the Taihe toll station of Guangcong Highway Section I, a Class I highway held by Guangzhou Taihe, has closed down for relocation at the request of the Guangzhou Municipal People’s Government (“GZ Government”) and currently has no toll revenue generated from the toll road operation. Under this circumstance, traffic and toll revenue forecast on the toll road operation is not possible. It is also not possible to estimate the benefit streams from the toll road operation and the value of Guangzhou Taihe is not determined by the cashflow generated from the toll road operation. Therefore, it is inappropriate to estimate the fair value of Guangzhou Taihe by the use of income approach.

Due to Guangzhou Taihe’s unique condition, it is difficult to perform meaningful comparisons to market peers. Hence, market approach is also not appropriate to estimate the fair value of Guangzhou Taihe.

Therefore, in the case of Guangzhou Taihe, its book value is regarded to be fair and reasonable.

## **BASIS OF VALUATION**

We have valued Guangzhou Xinguang and Guangzhou Tailong on the basis of fair value.

### **Fair Value**

According to Hong Kong Financial Reporting Standard, fair value is the amount for which an asset could be exchanged, or a fair value liability settled, between knowledgeable and willing parties in an arm’s length transaction.

For the purpose of this valuation, the term fair value is similar and/or interchangeable with the valuation standards or definitions below and will be used throughout this valuation report.

### **Market Value**

According to The Hong Kong Business Valuation Forum - Business Valuation Standards, market value is defined as the estimated amount for which an asset (a property) should exchange on the date of valuation between a willing buyer and willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

### **Fair Market Value**

The International Valuation Glossary defines fair market value as the amount at which property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade-related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum. Both are generally accepted valuation standards followed by relevant professional practitioners in Hong Kong. These standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

## ECONOMIC OUTLOOK AND INDUSTRY ANALYSIS

In conjunction with the preparation of this valuation opinion, we have reviewed and analyzed the current economic conditions in China and how the value of Guangzhou Xinguang and Guangzhou Tailong may be impacted.

### China's Economic Outlook

The Chinese economy attained double digit growth rates of 10.7% and 11.9% in 2006 and 2007 respectively. A series of setbacks have taken place such as the Chinese Government's decrease of money supply to prevent the economy from over-expanding; the appreciation of the Renminbi which is slowing down the export industries; the volatility in prices of major commodities; the weakening stock markets as a result of the global financial crisis and weakening investor confidence; and the catastrophic earthquake that took place in Sichuan province. Amidst all the negative events, China's economy still managed a 9.0% growth of GDP for 2008 and 8.0% in the second quarter of 2009. However, growth is expected to slow down further in 2009 and beyond mainly due to weakening export. According to the Economist, GDP growth is expected to average at a healthy 8.0% in the coming two years, driven by rapid growth in domestic demand, private consumption and increase in government spending.

	2008	2009	2010	2011
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Real GDP growth (%)	9.0	8.0	8.0	8.2
Consumer price inflation (%)	5.9	-0.6	1.4	2.4
Current-account balance (% GDP)	9.6	6.5	4.7	4.0
Commercial bank prime rate (%)	5.3	5.6	6.6	7.0
Exchange rate RMB:US\$ (average)	6.95	6.81	6.59	6.41

*Figure extracted from the Economist and Bloomberg*

Chinese government is expected to continue to support the contribution of private consumption to overall growth in the near future. Service industries were successfully promoted by the Olympic Games in Beijing in 2008. The 2010 Shanghai World Expo is expected to boost the industry even further. Since October 2008, the government has continued to maintain loose monetary policy and low interest rate to support the economy which has created incentive for private investments. As part of the global effort to counteract the financial crisis, the Chinese government has announced an

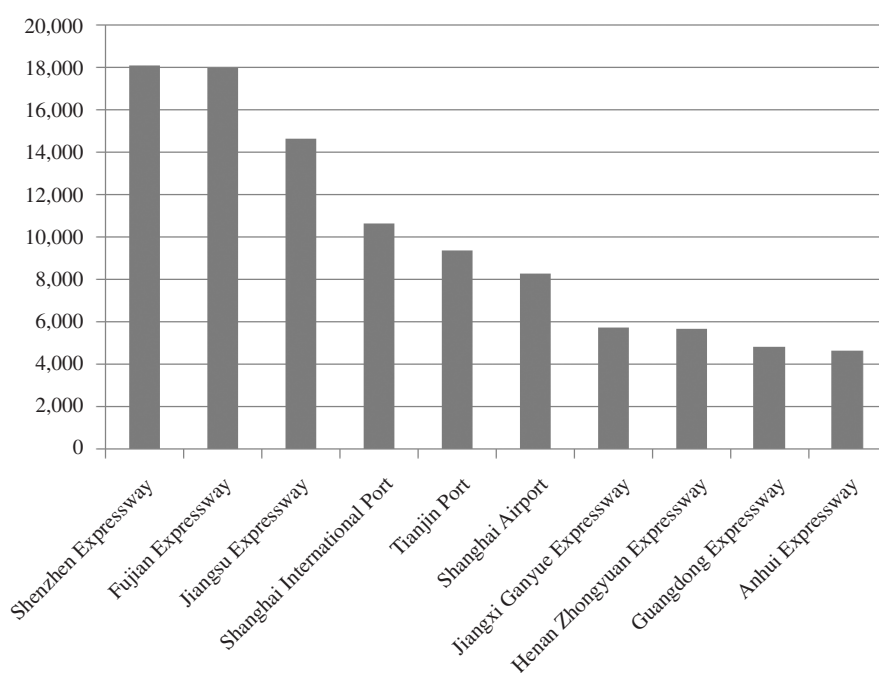
enormous stimulus plan worth more than RMB4,000 billion through 2010, with a focus on infrastructure and social welfare. Inflation, which was one of Chinese Government's main concerns before the financial crisis, is no longer an issue as worldwide commodities prices had dropped significantly over the past year.

### Transport Infrastructure Industry in the PRC

Although China has been undergoing rapid economic growth for the past decades, transport infrastructure has not been a major focus as a national development priority until the 1990s. The road network capacity in China simply cannot keep up with the growth in the number of vehicles, and is creating congestion and environmental problems particularly in major economic regions like Guangzhou Province. The condition is gradually improving due to large investments in the transport infrastructure sector in the last 10 years.

The transport infrastructure in China consists of four main areas: railways, roads, air and waterways<sup>2</sup>. Road construction has always been China's top transport infrastructure investment, with approximately 87.3% of total investment in transport fixed assets distributed to road construction, followed by ports and railway constructions of 9.9% in 2006<sup>3</sup>. This trend is also noted by the top ten China listed companies in terms of investment from 2000 to 2008, where seven of them were engaged in road construction.

**Top 10 China Listed Companies in Terms of Investment 2000-1H2008**



Source: ResearchInChina, *Investment Report of China Transport Infrastructure Industry, 2000-2008*

<sup>2</sup> Civic Exchange, *Review of Decision-Making Processes in Guangdong Infrastructure, Energy and Transport*, February 2008.

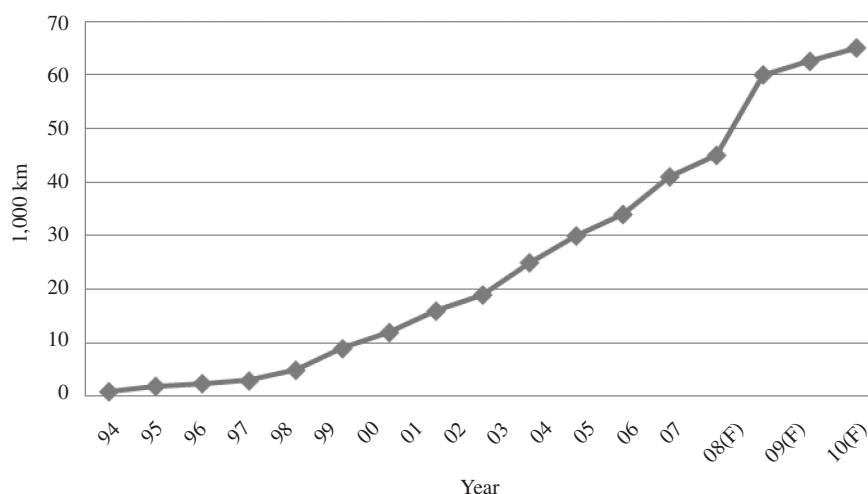
<sup>3</sup> The World Bank, *An Overview of China's Transport Sector — 2007*, December 2007.

### Highways and Expressways Development in the PRC

Highways and expressways development is a crucial element of the China's national economy and the major mode of transportation for both passengers and freight traffic. The road network is well-developed in the three major economic regions, namely the Pearl River Delta, Yangtze River Delta and Bohai-rim region, but many parts of the country are still poorly connected.

To address this issue, the Ministry of Communications has put forward plans to expand the country's road system, highlighted by the programme in China's 11th Five-Year Plan for an extension of the country's National Trunk Highway System from around 41,000 km in 2005 to 65,000 km in 2010. This highway network is targeted to reach 3 million km by 2020, in order to connect all towns and cities with populations greater than 200,000.

**Total Expressway Length in China**

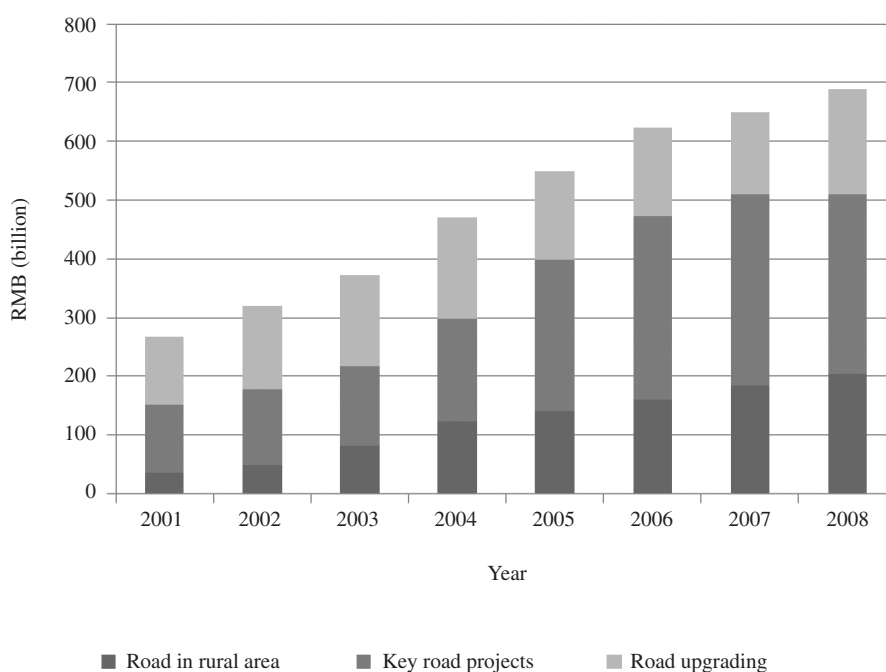


(F) — Figures for 2008 to 2010 are forecasted figures

Source: Ministry of Transportation: The Master Plan for National Expressway Network (2008), China Statistical Yearbook 1994-2008, Extracted from KPMG, *Infrastructure in China: Foundation for growth*, 2009.

Although road construction and maintenance are mainly the responsibility of the local governments, the private sector has been encouraged to participate in the toll road sector to ease the government budget. Despite that many areas are still relatively under-developed, China has the world's largest network of toll roads, representing 70% of the world's total. Since 2000, China's expressway network, which was already the second largest in the world, has been growing at an average of 20% per year.<sup>4</sup> Toll fees in China have been set at levels similar to or higher than equivalent tolls charged in developed countries. The reason for the high toll fees is due to the fact that funding was mainly via domestic loans and self-financing (45.1% and 39.6% respectively in 2006), and only a relatively small portion was funded by state budget (15.2% in 2006) comparing to most developed countries.<sup>5</sup>

**Roads Investment in China from 2001 to 2008**



Source: Ministry of Transportation: The Master Plan for National Expressway Network (2008); China Statistical Yearbook 2001-2008, Extracted from KPMG, Infrastructure in China: Foundation for growth, 2009.

<sup>4</sup> KPMG, *Infrastructure in China: Foundation for growth*, 2009.

<sup>5</sup> The World Bank, *An Overview of China's Transport Sector — 2007*, December 2007.

The growing middle class and the rapid increase in private vehicle ownership have also led to high demand of road development. In 2009, China overtook the United States to become the world's largest car market due to the dramatic contraction of the American market, whereas the Chinese has quadrupled its size since 2000.<sup>6</sup> Although the slowing economy has resulted in a single-digit car sales growth in China for the first time in ten years, the country still managed to achieve a 7.27% growth, which represents 6.76 million vehicles sold in 2008.<sup>7</sup> McKinsey also estimates that China's car market will grow tenfold between 2005 and 2030.<sup>8</sup> Supported by China's robust economy and government incentives on transport infrastructure development, it is without doubt that the demand for highways and expressways development will continue to grow and offer ample investment opportunities.

## VALUATION METHODOLOGIES

Valuation of any business or asset can be broadly classified into one of three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of the asset.

### The Asset Approach

The asset approach is based on the so-called economic principle of substitution; it essentially measures what is the net value of the assets today and how much it would cost to replace those assets. One of the replacement value, liquidation value or adjusted book value is used to estimate the fair value of the business enterprise or its assets.

We consider the asset approach to be inappropriate because:

- The value of Guangzhou Xinguang and Guangzhou Tailong is determined by cashflow generated from business operations, which is the highways, with specific operating terms. This means that the future economic benefit is more important in valuing Guangzhou Xinguang and Guangzhou Tailong than the book value or the cost of acquiring the highways.

### The Market Approach

The market approach develops a value using the principle of substitution. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. There are two basic methods under the market approach, the comparable transaction method and the comparable company method.

<sup>6</sup> Reuters, 13 March 2009.

<sup>7</sup> Reuters, 12 January 2009.

<sup>8</sup> BusinessGreen, 3 April 2009.

We have considered but rejected the market approach for Guangzhou Xinguang and Guangzhou Tailong valuation because:

- We are unable to satisfy ourselves that the comparable transaction method would be the most appropriate since the value of Guangzhou Xinguang and Guangzhou Tailong is derived from the economic benefit generated from each of the highway which is unique with different traffic conditions and operating terms. Furthermore, although public information is sometimes available, acquisition frequently involves specific buyers who pay a premium/discount under its unique circumstances. This makes it difficult to know if the price paid for the highway truly represents the approximate transaction price of the transaction; and
- For the comparable company method to be applicable there must be a sufficient number of comparable companies to make comparisons. As the value of Guangzhou Xinguang and Guangzhou Tailong is determined by the toll road operation which can vary significantly with different stage of development, operating terms and toll road location, it is difficult for meaningful comparisons to be made for the toll road industry under this method.

### **The Income Approach**

The income approach is the most generally accepted way of determining a fair value indication of a business/project, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

The discounted cash flow method (“DCF”) requires an explicit forecast of the future benefit streams over a reasonably foreseeable short term and an estimate of a long term benefit stream that is stable and sustainable, i.e. not varying from period to period and the benefit stream is determined to continue into the future without compromise. An appropriate discount rate and an estimate of long term growth beyond the forecast period allow discrete present values to be calculated and summed for all the benefit streams to determine the entity values.

We have applied the income approach to the valuation of Guangzhou Xinguang and Guangzhou Tailong because their value is determined by the ability to generate a stream of benefits from the toll road operation in the future. In the case of this valuation, DCF is more applicable than the two other approaches.

### **MAJOR ASSUMPTIONS OF BUSINESS VALUATION**

We have relied heavily on the respective traffic and revenue forecast study (交通流量及收入預測研究報告) prepared by THI Asia Consultants Limited (the “Traffic Reports”) for the traffic projections of each individual highway. Our investigation included an inspection of highways, discussions with members of GZT’s management in relation to the history and the nature of the business, operations and prospects of Guangzhou Xinguang and Guangzhou Tailong and review of

their historical and projected financial information, review of the Traffic Reports and other relevant documents. Before arriving at our opinion of value, we have considered the following principal factors:

- the nature of the business and the history of the enterprise from its inception;
- the financial condition of the business and its outlook;
- the economic outlook in general and the specific economic and competitive elements affecting each segment of the business;
- past and projected operation results;
- traffic volume projections of Guanghua Highway and Guangcong Highway Section II made by THI Asia Consultants Limited in the Traffic Reports;
- operating cost and repairs and maintenance schedule provided by the management of GZT;
- effect of debt financing and other loan agreements; and
- market derived investment returns of companies engaged in a similar nature of business.

Owing to the changing environment in which Guangzhou Xinguang and Guangzhou Tailong operates, a number of assumptions have to be established in order to sufficiently support our concluded value of Guangzhou Xinguang and Guangzhou Tailong. The major assumptions adopted in this valuation are:

- there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC where the Guanghua Highway and Guangcong Highway Section II are located;
- 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;
- there will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
- traffic growth for the Guanghua Highway and Guangcong Highway Section II will conform to the average of the optimistic and conservation scenarios as projected in the Traffic Reports;
- depreciation policy is subject to the individual accounting policy of Guangzhou Xinguang and Guangzhou Tailong;



- interest rates, credit terms and repayment schedule of shareholder’s loans are provided by the management of GZT; and
- GZT will retain competent management, key personnel, and technical staff to support the ongoing operation of Guanghua Highway and Guangcong Highway Section II.

## DETERMINATION OF DISCOUNT RATE

Discount rate is applied for calculation of the present value of cash flows. Discounting the future cash flows allows for the time value of money. For the purpose of valuing Guangzhou Xinguang and Guangzhou Tailong, we have assessed the Capital Asset Pricing Model (“CAPM”) to calculate the discount rate for the toll road operation of Guanghua Highway and Guangcong Highway Section II.

### Capital Asset Pricing Model

In financial theory, the cost of equity is defined as the minimum rate of return required by investors that a company must earn on the equity-financed portion of its capital to leave the market price of its stock unchanged. If the return on equity was lower than the minimum rate required by investors (that is, the company was not meeting the earnings expectations), the company’s share price would fall so that it would yield the necessary minimum return. Thus, we calculate the required rate of return on equity by using the CAPM. When applying the CAPM to estimate a company’s cost of equity capital, we add a risk premium; that is, the additional return that investors require over the risk-free rate. The underlying assumption is that investors are risk-averse and are seeking to maximize the returns on their investments. The cost of equity using CAPM is calculated from the formula below:

$$\mathbf{Re = Rf + Beta * (Rm - Rf) + SCP + SCA}$$

The calculation of CAPM therefore becomes:

Risk free rate of return (Rf) <sup>9</sup> :	4.10%
Beta <sup>10</sup> :	0.64
Expected market return (Rm) <sup>11</sup> :	15.46%
Small company premium (SCP) <sup>12</sup> :	3.74%
Specific company adjustment (SCA):	0%
<b>∴ CAPM (Cost of equity) (Re):</b>	<b>15.00%</b>

From the above calculations, we have concluded that a discount rate of 15% is reasonable to be used in the valuation of Guangzhou Xinguang and Guangzhou Tailong.

<sup>9</sup> Yield of 30-yr China Government Bond

<sup>10</sup> Median beta of 6 comparable public companies in toll road and expressway businesses operating in PRC

<sup>11</sup> Expected Market Return for China, as quoted on Bloomberg

<sup>12</sup> SBBi Valuation Edition 2009 Year Book by Ibbotson Associates

**LIMITING CONDITIONS**

We have made no investigation of and assumed no responsibility for the title to or any liabilities against Guangzhou Xinguang and Guangzhou Tailong.

The opinions expressed in this report have been based on the information supplied to us by GZT and its staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of GZT, reader of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the valuation date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

**SYNTHESIS AND RECONCILIATION**

Because valuations cannot be made on the basis of a prescribed formula, there is no means whereby the various applicable factors in a particular case can be assigned mathematical weights in deriving the fair value. For this reason, no useful purpose is served by taking an average of several factors (for example, book value, capitalized earnings and capitalized dividends) and basing the valuation on the result. Such a process excludes active consideration of other pertinent factors, and the end result cannot be supported by a realistic application of the significant facts in the case except by mere chance.

The following comparative data summarizes and the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to Guangzhou Xinguang and Guangzhou Tailong's facts and circumstances, and strengths/weaknesses were previously discussed.

***Asset Approach***

Replacement, Liquidation or Adjusted Book Value Method . . . . .N/A  
Application . . . . .Rejected

***Market Approach***

Comparable Transaction or Comparable Company Method . . . . .N/A  
Application . . . . .Rejected

***Income Approach***

Discounted Cash Flow Method - Guangzhou Xinguang . . . . .	RMB5,500,000
Discounted Cash Flow Method - Guangzhou Tailong . . . . .	RMB71,300,000
Application . . . . .	Accepted

Since the income approach is the only valid and applicable approach in this valuation, we conclude the fair value of Guangzhou Xinguang and Guangzhou Tailong is RMB5,500,000 and RMB71,300,000 respectively using discounted cash flow method.

**CONCLUSION OF VALUE**

In conclusion, based on the investigation and analysis stated above and on the valuation method employed, it is our opinion that as at the Valuation Date, the fair value of Guangzhou Xinguang and Guangzhou Tailong is as follows:

Guangzhou Xinguang:

CHINESE RENMINBI FIVE MILLION AND FIVE HUNDRED THOUSAND ONLY (RMB 5,500,000)

Guangzhou Tailong:

CHINESE RENMINBI SEVENTY-ONE MILLION AND THREE HUNDRED THOUSAND ONLY (RMB 71,300,000)

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in GZT and have neither personal interest nor bias with respect to the parties involved.

Yours faithfully,

For and on behalf of

**GREATER CHINA APPRAISAL LIMITED**

**K. K. Ip**

**Registered Business Valuer of HKBVF**

*MRICS, MHKIS and RPS (GP)*

*Managing Director*

**Samuel Y.C. Chan**

**MBA, CVA, CM&AA**

*Director*

*Head of Business Valuation*

Analysed and reported by:

Rachel S. K. Au

*Notes:*

*Mr. K. K. Ip, a Chartered Valuation Surveyor of The Royal Institution of Chartered Surveyors (RICS), Member of Surveyors Registration Board of Hong Kong, Member (General Practice Division) of The Hong Kong Institute of Surveyors (HKIS) and Registered Business Valuer of The Hong Kong Business Valuation Forum (HKBVF), has substantial experience in property, plant and machinery, business enterprise and intellectual property valuations for various purposes in Greater China Region since 1992.*

*Mr. Samuel Y.C. Chan, MBA, Certified Valuation Analyst of The International Association of Consultants, Valuators and Analysts (IACVA) and Certified Merger & Acquisition Advisor, has been conducting business enterprise and intellectual property valuations for various purposes since 2004. He also spends a significant portion of his time in valuation of financial instruments including convertible bonds, preference shares, swaps, corporate guarantees and employee share options for private and public companies in China, Hong Kong, Taiwan, Japan, Singapore and the United States.*

*The following is the text of a letter from THI Asia Consultants Limited regarding traffic and revenue forecast for Guanghua Highway for the purpose of incorporation in this circular.*

**THI Asia**  
鼎漢亞洲

**THI Asia**  
**Consultants**  
**Limited**

**7/F Hong Kong Trade Centre**  
**161-167 Des Voeux Road Central Hong Kong**  
**Tel : (852) 3184 8183**  
**Fax : (852) 2899 2176**

14 November 2009

The Directors,  
GZI Transport Limited

Dear Sirs,

### **Traffic and Revenue Forecast Study for Guanghua Highway**

THI Asia Consultants Limited (the“Consultant”or “THI”) conducted an independent study on the traffic and revenue (the“Study”) of the Guanghua (“Guanghua”) in Guangzhou for GZI Transport Limited (the “Company”) in accordance with your instructions. This report sets out the summary of the results and conclusions derived from the technical analysis conducted.

We confirm that an independent forecast on the future traffic flow and revenue was conducted in a professional manner. Our study was conducted by analyzing information derived from site inspections, interviews with toll road operators, reviews of existing traffic flow data, feasibility study reports as well as other relevant information. Confirmation by the management staff of the toll roads that no material factors had been omitted from the information supplied by the Company was requested by us.

We consider that we were provided with sufficient amount of reliable information to carry out the final review and comprehensive analysis. Our analysis results were presented in the “Guanghua Highway — Traffic Flow and Revenue Forecast Study Final Report” and our study methodology and conclusions were summarized below:

#### **E1. INTRODUCTION**

The report sets out the summary of the results and conclusions derived from the technical analysis conducted. We confirm that the remaining concessionary period (1997-2031) of Guanghua was projected on an independent and professional manner.

Our study was conducted by analyzing information derived from site inspections, interviews with local authorities/toll road operators and by reviewing existing traffic flow data, feasibility study

reports, origin-destination (“O-D”) survey and other relevant information. Confirmation by the management staff of the toll roads that no material factors had been omitted from the information supplied by the Company was requested by us. We consider that we were provided with sufficient amount of reliable information to carry out the final review and comprehensive analysis.

This document sets out the summary of the “Guanghua — Traffic Flow and Revenue Study Final Report” prepared by THI. An independent forecast for Guanghua Traffic Flow and Revenue conducted by the Consultant is set out in the table below:

#### **Summary of the Overall Forecast Particulars**

<b>Road Type</b>	<b>Road Design</b>	<b>Road Access Control</b>	<b>Road Design Speed</b>
Class I Highway	4 lanes	No control	80 km/hour

## **E2. OBJECTIVES AND SCOPE OF SERVICES**

The technical objective of the Study is to provide the Company with an independent study on future traffic and revenue projections. The scope of work includes data inventory and collection, traffic analysis and future traffic and revenue projections. Major activities include:

- Review available planning and feasibility reports related to the traffic corridors of the study expressway;
- Collect and review socio-economic data of the study region;
- Collect and analyze traffic and revenue data;
- Conduct additional traffic surveys and counts where applicable;
- Interview toll road operators and local planning department officials;
- Formulate travel demand forecast methodology;
- Analyze possible impact of competing roads in the traffic corridors under study; and
- Prepare traffic and revenue forecasts.

## **E3. TRAFFIC FORECASTING METHODOLOGY**

The traffic forecasts are based on traditional travel demand forecast process widely adopted for toll road studies and has been applied to similar toll roads in the People’s Republic of China (“PRC”). Relevant information collected and accumulated by THI in other projects in Pearl River Delta area

(“PRD”) as well as other Guangdong areas in PRC have also been incorporated in this study. The traffic forecasting methodology for the Study consists of the following stages:

- a) **Data Inventory and Review** - The key objective for this technical stage is to obtain existing available information and organize them for the next stage of work. Typical information to be inventoried includes historic highway network data, O-D data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant region, and previous analyses and reports.
- b) **Define Technical Approach** - The goal is to develop the most appropriate technical methodology to be used for study purposes. The determination of the types of method depends on the availability and quality of the data as well as the overall project programme.
- c) **Travel Demand Forecasting** - Based on the information and findings from previous stages, this stage defines and analyzes the existing traffic patterns and forecasts the future travel demand based on the appropriate key traffic variables that include:
  - Economic indicators and growth in travel demand;
  - Physical conditions of the road and its carrying capacity;
  - Vehicle classifications and percentage distribution; and
  - O-D patterns by class of vehicle.

To consider the uncertainty of various external factors in the future, the traffic forecasts are presented under two scenarios: the Conservative Scenario and the Optimistic Scenario.

#### **E4. PRINCIPAL MODEL / ANALYTICAL ASSUMPTIONS**

The general assumptions defined in the Study are as follows:

- a) The use of “Gross Domestic Product” (“GDP”) statistics as the prime indicator to determine future traffic growth of the highway under study. Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP is more compatible and correlated with the passenger and goods vehicles travels than any other factors or available parameters. Because the majority of the anticipated future travel will be associated with the movement of passenger and goods in the PRD region, GDP growth will be used as the key parameter for future forecasts.
- b) O-D patterns identified from the available database are applicable to the subject analysis;
- c) The most current traffic composition of existing traffic flow is assumed to be applicable to the forecasts;

- d) Variations between existing and future travel behaviors, system patterns and trip making decisions are insignificant;
- e) Future economic growth trends in the study region should be consistent with existing regional economic policies, specifically the 11th Five-Year Plan, the provincial development master plan and local governmental policies. The adopted conservative economic growths are given in the table below;

**Assumptions of the GDP Annual Growth Rate (%) in the Study Area**

<b>Period</b>	<b>Conservative Scenario</b>	<b>Optimistic Scenario</b>
2008 - 2010	10.00%	11.00%
2011 - 2015	9.00%	10.00%
2016 - 2020	8.00%	9.00%
2021 - 2025	6.00%	7.00%
2026 - 2030	5.00%	6.00%
2031 - 2035	4.00%	5.00%

The GDP growth assumptions are made on the basis of the historical trend of respective municipality and Guangdong Province. Taking into consideration of the expectations given in the 11th Five year plan of respective municipality, the growths for the period of 2008-2010 are therefore assumed to be 50% to 70% of the growths in 2001-2005 and discounted by 25% for every 5 years, and then reduced approximately by 1% for every five years. Optimistic scenario will be 1% to 2% higher than the conservative scenario.

- f) Technical parameters associated with the determination of facility capacity are within the practical range;
- g) Technical data obtained and used for the analysis is accurate and reliable, and therefore is a good representation of the typical average condition;
- h) Based on the Highway Capacity Manual (published by the Department of the Transportation of Transportation Research Board of the U.S.) and professional judgment, the estimated facility-based sectional capacity for the highways under study is 40,000 vehicles per day. This Sectional Capacities are defined as the maximum number of vehicles that can be accommodated by highway sections of facilities per day.



- i) Future year traffic demand for Conservative and Optimistic Scenarios are formed by applying the assumed GDP growths to the traffic demand elasticity indices and adjusted by area. The resultant growths are given in tables below.

**Study Area Annual Traffic Growth (%)**

Period	Conservative Scenario		Optimistic Scenario	
	Passenger vehicle	Goods vehicle	Passenger vehicle	Goods vehicle
2008 - 2010	4.94%	5.76%	5.49%	6.40%
2011 - 2015	4.94%	5.76%	5.49%	6.40%
2016 - 2020	4.39%	5.12%	4.94%	5.76%
2021 - 2025	3.30%	3.84%	3.84%	4.48%
2026 - 2030	2.75%	3.20%	3.30%	3.84%
2031 - 2035	2.20%	2.56%	2.75%	3.20%

- j) Non-toll vehicles are also considered in this study. Non-toll vehicles include officially toll exempted vehicles such as government vehicles and toll road company cars. The proportion of non-toll vehicles is derived from the actual traffic flows.

**E5. SUMMARY OF TRAFFIC PROJECTIONS**

Vehicle Classification (Class 1 to Class 5 and Non-Toll) are defined as below:

Vehicle Class	Definition
Class 1	Motorcycles
Class 2	Passenger vehicles less than 20 seats (including 20 seats) and goods vehicles less than 2 tons (including 2 tons)
Class 3	Passenger vehicles with 21 to 50 seats, goods vehicles from 2 tons to 5 tons (including 5 tons)
Class 4	Passenger vehicles > 51 seats, goods vehicles 5 tons to 15 tons (including 15 tons)
Class 5	Goods vehicles > 15 tons, container vehicles
Non Toll	Official toll exemption

Guanghua Highway Historical Averaged Daily Traffic Flow and Growth — Guanghau Toll Station (Vehicles)

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
2001	798	5,949	708	223	42	7,720
2002	547	6,678	618	244	31	8,118
2003	534	7,720	827	210	40	9,332
2004	513	8,891	1,025	192	92	10,713
2005	391	8,851	1,108	185	115	10,649
2006	239	8,552	1,204	132	125	10,252
2007	11	8,314	1,430	135	157	10,045
2008	3	8,579	1,275	118	147	10,122
Average annual change (%)						
2001-2008	-54.3%	5.4%	8.8%	-8.7%	19.5%	3.9%

Guanghau Highway Guanghau Toll Station Traffic Flow Forecast — **Conservative Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-Toll <sup>(1)</sup>	Total
2009	3	6,211	830	124	92	725	7,985
2010	3	6,534	872	129	96	751	8,385
2011	3	6,874	915	134	101	773	8,800
2012	3	7,231	961	139	106	796	9,237
2013	3	7,607	1,009	145	111	820	9,696
2014	3	8,003	1,060	150	117	845	10,178
2015	3	8,419	1,113	156	123	870	10,684
2020	4	9,999	1,321	183	159	1,059	12,725
2025	4	11,313	1,495	208	181	1,227	14,428
2031	4	12,740	1,684	241	210	1,382	16,261

Note (1)-Including Monthly ticket vehicles

Guanghau Highway Guanghau Toll Station Traffic Flow Forecast — **Optimistic Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-Toll <sup>(1)</sup>	Total
2009	3	6,340	849	125	94	735	8,147
2010	3	6,733	905	132	100	768	8,641
2011	3	7,150	963	138	107	799	9,161
2012	3	7,594	1,026	145	113	831	9,713
2013	3	8,064	1,093	152	121	864	10,298
2014	4	8,564	1,164	160	129	899	10,919
2015	4	9,095	1,239	168	137	935	11,578
2020	4	11,887	1,620	216	195	1,138	15,060
2025	5	14,672	1,999	268	242	1,438	18,625
2031	5	16,654	2,269	314	283	1,632	21,157

Note (1)-Including Monthly ticket vehicles

**E6. TOLL RATE STRUCTURE**

Current Toll Rates at Toll Stations are set out in the table below:

Toll rates (RMB) at Toll Stations of Guanghua Highway

Vehicle Class	Guanghua Toll Stations
Class 1	3
Class 2	7
Class 3	15
Class 4	25
Class 5	30

The study period is commenced in 2009. The future toll rate is assumed to increase by 15% increase for every 7 years starting from year 2014, year 2021 and year 2028. This is a reasonable assumption as the average annual economic growth of Guangdong Province is approximately 10%.

**E7. ESTIMATION OF REVENUE**

The revenue forecasts for Guanghua Highway are presented under two scenarios and a summary is set out in tables below.

Guanghua Highway Guanghau Toll Station Annual Revenue (RMB10,000) Forecast —  
**Conservative Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Monthly Ticket	Total
2009	0.4	1,586.9	454.6	112.8	100.4	153.8	2,408.9
2010	0.4	1,669.4	477.3	117.3	105.5	161.5	2,531.4
2011	0.4	1,756.3	501.2	122.0	110.7	169.5	2,660.0
2012	0.4	1,847.6	526.2	126.9	116.3	178.0	2,795.3
2013	0.4	1,943.7	552.5	131.9	122.1	186.8	2,937.4
2014	0.4	2,351.4	667.2	157.8	147.4	225.5	3,549.8
2015	0.4	2,473.7	700.5	164.1	154.8	236.7	3,730.3
2020	0.5	2,938.0	832.0	192.1	200.4	281.9	4,444.9
2025	0.6	3,822.7	1,082.6	251.2	262.0	367.6	5,786.6
2031	0.7	4,950.7	1,402.0	335.0	349.4	476.4	7,514.3

Guanghua Highway Guanghau Toll Station Annual Revenue (RMB10,000) Forecast —  
**Optimistic Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Monthly Tickets	Total
2009	0.4	1,619.8	465.0	114.4	102.9	157.0	2,459.4
2010	0.4	1,720.2	495.3	120.1	109.5	166.5	2,612.0
2011	0.4	1,826.9	527.5	126.1	116.7	176.5	2,774.0
2012	0.4	1,940.2	561.7	132.4	124.2	187.1	2,946.1
2013	0.4	2,060.4	598.3	139.1	132.3	198.4	3,128.8
2014	0.4	2,516.4	732.7	167.9	162.1	241.9	3,821.5
2015	0.5	2,672.4	780.3	176.3	172.6	256.5	4,058.6
2020	0.5	3,492.8	1,019.9	227.2	245.5	333.6	5,319.5
2025	0.7	4,957.8	1,447.7	324.0	350.1	474.5	7,554.8
2031	0.9	6,471.3	1,889.6	435.5	470.6	619.9	9,887.7

**E8. CONCLUSION**

The Consultant concluded that the traffic forecasts developed by the above methodology and on the above assumptions are consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the “Guanghua Highway — Traffic and Revenue Forecast Study Final Report”.

Yours sincerely,

For and on behalf of

**THI Asia Consultants Limited**

**Richard Yau**

*Executive Director*

**Jessica Liang**

*Project Manager*

*Notes:*

*Mr. Richard Yau, BSc., MSc., is a member of the Chartered Institute of Transport and has substantial experience in transport planning and traffic studies since 1982.*

*Ms. Jessica Liang, BE, ME, MSc., is a member of the American Society of Civil Engineers, has substantial working Experience in traffic related studies since 1988*

*The following is the text of a letter from THI Asia Consultants Limited regarding traffic and revenue forecast for Guangcong Highway Section II for the purpose of incorporation in this circular.*

**THI Asia**  
鼎漢亞洲

**THI Asia**  
**Consultants**  
**Limited**

**7/F Hong Kong Trade Centre**  
**161-167 Des Voeux Road Central Hong Kong**  
**Tel : (852) 3184 8183**  
**Fax : (852) 2899 2176**

14 November 2009

The Directors,  
GZI Transport Limited

Dear Sirs,

### **Traffic and Revenue Forecast Study for Guangcong Highway Section II**

THI Asia Consultants Limited (the “Consultant” or “THI”) conducted an independent study on the traffic and revenue (the “Study”) of the Guangcong Highway Section II (“Guangcong II”) in Guangzhou for GZI Transport Limited (the “Company”) in accordance with your instructions. This report sets out the summary of the results and conclusions derived from the technical analysis conducted.

We confirm that an independent forecast on the future traffic flow and revenue was conducted in a professional manner. Our study was conducted by analyzing information derived from site inspections, interviews with toll road operators, reviews of existing traffic flow data, feasibility study reports as well as other relevant information. Confirmation by the management staff of the toll roads that no material factors had been omitted from the information supplied by the Company was requested by us.

We consider that we were provided with sufficient amount of reliable information to carry out the final review and comprehensive analysis. Our analysis results were presented in the “Guangcong Highway — Traffic Flow and Revenue Forecast Study Final Report” and our study methodology and conclusions were summarized below:

#### **E1. INTRODUCTION**

The report sets out the summary of the results and conclusions derived from the technical analysis conducted. We confirm that the remaining concessionary period (1997-2031) of Guangcong II was projected on an independent and professional manner.

Our study was conducted by analyzing information derived from site inspections, interviews with local authorities/toll road operators and by reviewing existing traffic flow data, feasibility study

reports, origin-destination (“O-D”) survey and other relevant information. Confirmation by the management staff of the toll roads that no material factors had been omitted from the information supplied by the Company was requested by us. We consider that we were provided with sufficient amount of reliable information to carry out the final review and comprehensive analysis.

This document sets out the summary of the “Guangcong Highway — Traffic Flow and Revenue Study Final Report” prepared by THI. An independent forecast for Guangcong II Traffic Flow and Revenue conducted by the Consultant is set out in the table below:

**Summary of the Overall Forecast Particulars**

<b>Road Type</b>	<b>Road Design</b>	<b>Road Access Control</b>	<b>Road Design Speed</b>
Class I Highway	4 lanes	No control	80 km/hour

**E2. OBJECTIVES AND SCOPE OF SERVICES**

The technical objective of the Study is to provide the Company with an independent study on future traffic and revenue projections. The scope of work includes data inventory and collection, traffic analysis and future traffic and revenue projections. Major activities include:

- Review available planning and feasibility reports related to the traffic corridors of the study expressway;
- Collect and review socio-economic data of the study region;
- Collect and analyze traffic and revenue data;
- Conduct additional traffic surveys and counts where applicable;
- Interview toll road operators and local planning department officials;
- Formulate travel demand forecast methodology;
- Analyze possible impact of competing roads in the traffic corridors under study; and
- Prepare traffic and revenue forecasts.

**E3. TRAFFIC FORECASTING METHODOLOGY**

The traffic forecasts are based on traditional travel demand forecast process widely adopted for toll road studies and has been applied to similar toll roads in the People’s Republic of China (“PRC”). Relevant information collected and accumulated by THI in other projects in Pearl River Delta area

(“PRD”) as well as other Guangdong areas in PRC have also been incorporated in this study. The traffic forecasting methodology for the Study consists of the following stages:

- a) **Data Inventory and Review** - The key objective for this technical stage is to obtain existing available information and organize them for the next stage of work. Typical information to be inventoried includes historic highway network data, O-D data, toll road traffic and revenue data, existing and future socio-economic forecasts of the relevant region, and previous analyses and reports.
- b) **Define Technical Approach** - The goal is to develop the most appropriate technical methodology to be used for study purposes. The determination of the types of method depends on the availability and quality of the data as well as the overall project programme.
- c) **Travel Demand Forecasting** - Based on the information and findings from previous stages, this stage defines and analyzes the existing traffic patterns and forecasts the future travel demand based on the appropriate key traffic variables that include:
  - Economic indicators and growth in travel demand;
  - Physical conditions of the road and its carrying capacity;
  - Vehicle classifications and percentage distribution; and
  - O-D patterns by class of vehicle.

To consider the uncertainty of various external factors in the future, the traffic forecasts are presented under two scenarios: the Conservative Scenario and the Optimistic Scenario.

#### **E4. PRINCIPAL MODEL / ANALYTICAL ASSUMPTIONS**

The general assumptions defined in the Study are as follows:

- a) The use of “Gross Domestic Product” (“GDP”) statistics as the prime indicator to determine future traffic growth of the highway under study. Past studies conducted in the study region and in other areas of PRC have indicated that growth in GDP is more compatible and correlated with the passenger and goods vehicles travels than any other factors or available parameters. Because the majority of the anticipated future travel will be associated with the movement of passenger and goods in the PRD region, GDP growth will be used as the key parameter for future forecasts.
- b) O-D patterns identified from the available database are applicable to the subject analysis;
- c) The most current traffic composition of existing traffic flow is assumed to be applicable to the forecasts;



- d) Variations between existing and future travel behaviors, system patterns and trip making decisions are insignificant;
- e) Future economic growth trends in the study region should be consistent with existing regional economic policies, specifically the 11th Five-Year Plan, the provincial development master plan and local governmental policies. The adopted conservative economic growths are given in the table below;

**Assumptions of the GDP Annual Growth Rate (%) in the Study Area**

<b>Period</b>	<b>Conservative Scenario</b>	<b>Optimistic Scenario</b>
2008 - 2010	9.00%	10.00%
2011 - 2015	9.00%	10.00%
2016 - 2020	8.00%	9.00%
2021 - 2025	6.00%	7.00%
2026 - 2030	5.00%	6.00%
2031 - 2035	4.00%	5.00%

The GDP growth assumptions are made on the basis of the historical trend of respective municipality and Guangdong Province. Taking into consideration of the expectations given in the 11th Five year plan of respective municipality, the growths for the period of 2008-2010 are therefore assumed to be 50% to 70% of the growths in 2001-2005 and discounted by 25% for every 5 years, and then reduced approximately by 1% for every five years. Optimistic scenario will be 1% to 2% higher than the conservative scenario.

- f) Technical parameters associated with the determination of facility capacity are within the practical range;
- g) Technical data obtained and used for the analysis is accurate and reliable, and therefore is a good representation of the typical average condition;
- h) Based on the Highway Capacity Manual (published by the Department of the Transportation of Transportation Research Board of the U.S.) and professional judgment, the estimated facility-based sectional capacity for the highways under study is 40,000 vehicles per day. This Sectional Capacities are defined as the maximum number of vehicles that can be accommodated by highway sections of facilities per day.

- i) Future year traffic demand for Conservative and Optimistic Scenarios are formed by applying the assumed GDP growths to the traffic demand elasticity indices and adjusted by area. The resultant growths are given in tables below.

**Study Area Annual Traffic Growth (%)**

Period	Conservative Scenario		Optimistic Scenario	
	Passenger vehicle	Goods vehicle	Passenger vehicle	Goods vehicle
2008 - 2010	4.94%	5.76%	5.49%	6.40%
2011 - 2015	4.94%	5.76%	5.49%	6.40%
2016 - 2020	4.39%	5.12%	4.94%	5.76%
2021 - 2025	3.30%	3.84%	3.84%	4.48%
2026 - 2030	2.75%	3.20%	3.30%	3.84%
2031 - 2035	2.20%	2.56%	2.75%	3.20%

- j) Non-toll vehicles are also considered in this study. Non-toll vehicles include officially toll exempted vehicles such as government vehicles and toll road company cars. The proportion of non-toll vehicles is derived from the actual traffic flows.

**E5. SUMMARY OF TRAFFIC PROJECTIONS**

Vehicle Classification (Class 1 to Class 5 and Non-Toll) are defined as below:

Vehicle Class	Definition
Class 1	Motorcycles
Class 2	Passenger vehicles less than 20 seats (including 20 seats) and goods vehicles less than 2 tons (including 2 tons)
Class 3	Passenger vehicles with 21 to 50 seats, goods vehicles from 2 tons to 5 tons (including 5 tons)
Class 4	Passenger vehicles > 51 seats, goods vehicles 5 tons to 15 tons (including 15 tons)
Class 5	Goods vehicles > 15 tons, container vehicles
Non Toll	Official toll exemption

## Guangcong II Historical Averaged Daily Traffic Flow and Growth

## Guangcong II - Taiping Toll Station (Vehicles)

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
1998	639	6,781	5,866	849	148	14,283
1999	1,144	7,650	6,537	876	149	16,355
2006	556	11,142	2,173	919	478	15,267
2007	730	9,197	1,483	553	431	12,394
2008	62	7,709	1,214	386	533	9,904
Average annual change (%)						
1998-2008	-20.8%	1.3%	-14.6%	-7.6%	13.7%	-3.6%

## Guangcong II - Longtan Toll Station (Vehicles)

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Total
1998	120	1,019	1,054	194	27	2,414
1999	313	2,662	3,049	518	78	6,620
2006	44	3,358	1,053	738	507	5,699
2007	15	3,413	897	559	630	5,514
2008	5	3,392	747	370	507	5,020
Average annual change (%)						
1999-2008	-37.2%	2.7%	-14.5%	-3.7%	23.1%	-3.0%

Guangcong II Taiping Toll Station Traffic Flow Forecast — **Conservative Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-Toll <sup>(1)</sup>	Total
2009	6	7,917	1,076	355	521	1,322	11,198
2010	6	7,838	1,097	362	532	1,348	11,184
2011	6	8,081	1,130	373	548	1,389	11,527
2012	7	8,332	1,164	384	564	1,430	11,881
2013	7	8,590	1,199	396	581	1,473	12,246
2014	7	8,856	1,235	408	598	1,518	12,622
2015	7	9,131	1,272	420	616	1,563	13,009
2020	8	10,637	1,461	482	707	1,768	15,063
2025	8	11,744	1,613	532	781	1,953	16,630
2031	8	12,778	1,703	579	825	2,125	18,018

Note (1)-Including Monthly ticket vehicles

Guangcong II Taiping Toll Station Traffic Flow Forecast — **Optimistic Scenario**

<b>Year</b>	<b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>	<b>Class 4</b>	<b>Class 5</b>	<b>Non-Toll<sup>(1)</sup></b>	<b>Total</b>
2009	7	7,956	1,082	357	524	1,329	11,254
2010	7	7,884	1,105	364	535	1,357	11,252
2011	7	8,247	1,154	381	559	1,418	11,766
2012	7	8,626	1,206	398	584	1,481	12,303
2013	7	9,023	1,261	416	610	1,548	12,866
2014	8	9,438	1,317	435	638	1,618	13,454
2015	8	9,872	1,377	454	666	1,691	14,068
2020	9	12,362	1,699	561	823	2,057	17,511
2025	11	14,682	2,018	666	977	2,443	20,797
2031	12	17,361	2,318	787	1,122	2,889	24,488

*Note (1)-Including Monthly ticket vehicles*

Guangcong II Longtan Toll Station Traffic Flow Forecast — **Conservative Scenario**

<b>Year</b>	<b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>	<b>Class 4</b>	<b>Class 5</b>	<b>Non-Toll<sup>(1)</sup></b>	<b>Total</b>
2009	3	3,484	662	340	495	161	5,145
2010	3	3,449	655	343	505	163	5,118
2011	3	3,594	683	357	527	168	5,331
2012	3	3,744	712	372	549	173	5,552
2013	3	3,902	742	388	572	178	5,783
2014	3	4,066	773	404	596	183	6,024
2015	2	4,236	805	421	621	189	6,275
2020	3	5,154	980	513	755	219	7,623
2025	3	6,211	1,180	609	897	253	9,153
2031	3	7,561	1,437	741	1,061	297	11,100

*Note (1)-Including Monthly ticket vehicles*

Guangcong II Longtan Toll Station Traffic Flow Forecast — **Optimistic Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Non-Toll <sup>(1)</sup>	Total
2009	3	3,487	663	340	496	161	5,150
2010	3	3,456	657	344	506	163	5,128
2011	3	3,663	696	364	537	171	5,434
2012	3	3,883	738	386	569	179	5,758
2013	3	4,116	782	409	603	188	6,101
2014	3	4,363	829	434	639	197	6,464
2015	3	4,624	879	460	678	206	6,850
2020	3	6,130	1,165	610	898	260	9,067
2025	4	7,936	1,509	778	1,147	325	11,698
2031	4	9,661	1,837	947	1,356	380	14,185

Note (1)-Including Monthly ticket vehicles

**E6. TOLL RATE STRUCTURE**

Current Toll Rates at Toll Stations are set out in the table below:

Toll rates (RMB) at Toll Stations of Guangcong Highway Section II

Vehicle Class	Taiping	Longtan
Class 1	2	2
Class 2	5	5
Class 3	10	10
Class 4	20	15
Class 5	25	21

The study period is commenced in 2009. The future toll rate is assumed to increase by 15% increase for every 7 years starting from year 2014, year 2021 and year 2028. This is a reasonable assumption as the average annual economic growth of Guangdong Province is approximately 10%.

**E7. ESTIMATION OF REVENUE**

The revenue forecasts for Guangcong II are presented under two scenarios and a summary is set out in tables below.

Guangcong II Taiping Toll Station Annual Revenue (RMB10,000) Forecast — **Conservative Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Monthly Ticket	Total
2009	0.5	1,444.9	392.7	259.1	475.6	167.0	2,739.8
2010	0.5	1,430.5	400.6	264.3	485.1	172.1	2,753.0
2011	0.5	1,474.8	412.6	272.3	499.6	177.4	2,837.2
2012	0.5	1,520.5	425.0	280.4	514.6	182.8	2,923.9
2013	0.5	1,567.7	437.7	288.8	530.0	188.5	3,013.2
2014	0.6	1,858.7	518.5	342.1	627.8	223.4	3,571.1
2015	0.6	1,916.3	534.0	352.4	646.7	230.0	3,680.1
2020	0.6	2,232.4	613.1	404.6	742.4	263.8	4,256.9
2025	0.8	2,834.4	778.5	513.7	942.6	333.1	5,403.1
2031	0.9	3,546.6	945.6	642.7	1,145.0	413.0	6,693.9

Guangcong II Taiping Toll Station Annual Revenue (RMB10,000) Forecast — **Optimistic Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Monthly Tickets	Total
2009	0.5	1,452.0	394.9	260.5	478.0	167.0	2,752.9
2010	0.5	1,438.9	403.2	266.0	488.0	167.0	2,763.6
2011	0.5	1,505.1	421.4	278.0	510.0	174.6	2,889.5
2012	0.5	1,574.3	440.3	290.5	532.9	182.6	3,021.2
2013	0.5	1,646.7	460.2	303.6	556.9	190.9	3,158.8
2014	0.6	1,980.9	553.0	364.8	669.3	229.6	3,798.2
2015	0.7	2,072.0	577.9	381.2	699.4	240.1	3,971.2
2020	0.8	2,594.5	713.3	470.6	863.3	298.8	4,941.1
2025	1.0	3,543.6	974.2	642.7	1,179.1	408.1	6,748.7
2031	1.3	4,818.7	1,286.6	874.0	1,557.1	552.6	9,090.3

Guangcong II Longtan Toll Station Annual Revenue (RMB10,000) Forecast — **Conservative Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Monthly Tickets	Total
2009	0.2	635.7	241.7	185.9	379.8	15.2	1,458.5
2010	0.2	629.4	239.3	187.8	387.4	15.1	1,459.1
2011	0.2	655.8	249.3	195.6	403.6	15.8	1,520.4
2012	0.2	683.4	259.8	203.9	420.6	16.4	1,584.2
2013	0.2	712.1	270.7	212.4	438.3	17.1	1,650.7
2014	0.2	853.3	324.4	254.6	525.2	20.0	1,977.5
2015	0.2	889.1	338.0	265.2	547.2	20.2	2,059.9
2020	0.2	1,081.7	411.2	322.7	665.8	21.3	2,502.9
2025	0.3	1,499.0	569.8	440.8	909.3	28.6	3,447.8
2031	0.3	2,098.6	797.8	617.1	1,236.5	39.8	4,790.2

Guangcong II Longtan Toll Station Annual Revenue (RMB10,000) Forecast — **Optimistic Scenario**

Year	Class 1	Class 2	Class 3	Class 4	Class 5	Monthly Tickets	Total
2009	0.2	636.4	241.9	186.1	380.2	15.2	1,460.0
2010	0.2	630.6	239.8	188.2	388.1	15.2	1,462.1
2011	0.2	668.5	254.2	199.4	411.4	16.1	1,549.8
2012	0.2	708.6	269.4	211.4	436.1	17.0	1,642.8
2013	0.2	751.1	285.6	224.1	462.3	18.1	1,741.3
2014	0.2	915.6	348.1	273.2	563.5	22.0	2,122.6
2015	0.2	970.5	369.0	289.6	597.3	23.3	2,250.0
2020	0.3	1,286.6	489.2	383.9	791.9	30.9	2,982.6
2025	0.4	1,915.5	728.3	563.4	1,162.2	45.8	4,415.5
2031	0.4	2,681.6	1,019.5	788.7	1,580.4	63.8	6,134.6

**E8. CONCLUSION**

The Consultant concluded that the traffic forecasts developed by the above methodology and on the above assumptions are consistent with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data are presented in the “Guangcong Highway — Traffic and Revenue Forecast Study Final Report”.

Yours sincerely,

For and on behalf of

**THI Asia Consultants Limited**

**Richard Yau**

*Executive Director*

**Jessica Liang**

*Project Manager*

*Notes:*

*Mr. Richard Yau, BSc., MSc., is a member of the Chartered Institute of Transport and has substantial experience in transport planning and traffic studies since 1982.*

*Ms. Jessica Liang, BE, ME, MSc., is a member of the American Society of Civil Engineers, has substantial working Experience in traffic related studies since 1988*



---

**APPENDIX III LETTER FROM THE REPORTING ACCOUNTANT IN RELATION TO DISCOUNTED FUTURE ESTIMATED CASH FLOWS**

---

*As the business valuation report set out in Appendix I of this circular is based on discounted cash flow method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter from PricewaterhouseCoopers, the reporting accountant of the Company on the discounted future estimated cash flows in connection with the business valuation of 35% equity interest in Guangzhou Xinguang Highways Development Company Limited and 39% equity interest in Guangzhou Tailong Highways Development Company Limited for the purpose of incorporation in this circular.*



---

羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22/F, Prince's Building  
Central, Hong Kong

**REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF EQUITY INTERESTS IN GUANGZHOU XINGUANG HIGHWAYS DEVELOPMENT COMPANY LIMITED AND GUANGZHOU TAILONG HIGHWAYS DEVELOPMENT COMPANY LIMITED**

**TO THE BOARDS OF DIRECTORS OF GUANGZHOU INVESTMENT COMPANY LIMITED AND 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 1 December 2009 prepared by Greater China Appraisal Limited in respect of the appraisal of the fair value of the 35% equity interests in Guangzhou Xinguang Highways Development Company Limited and 39% equity interests in Guangzhou Tailong Highways Development Company Limited (the “Target Interests”) is based. The Valuation is set out on pages 6 and 8 of the joint announcement of Guangzhou Investment Company Limited (“GZI”) and GZI Transport Limited (“GZT”) dated 1 December 2009 (the “Announcement”) in connection with the acquisition of the Target Interests by Top Global Holdings Ltd. and Fortune Success Group Ltd., indirect wholly-owned subsidiaries of GZT. 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 GZI and GZT are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set in the section headed “Fair Value of the 35% Equity Interest in Guangzhou Xinguang and 39% Equity Interest in Guangzhou Tailong” 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.

---

**APPENDIX III                      LETTER FROM THE REPORTING ACCOUNTANT IN RELATION  
TO DISCOUNTED FUTURE ESTIMATED CASH FLOWS**

---

**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 Target Interests.

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, has been properly compiled in accordance with the bases and assumptions as set out in the section headed "Fair Value of the 35% Equity Interest in Guangzhou Xinguang and 39% Equity Interest in Guangzhou Tailong" 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 paragraph 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, has been properly compiled in all material respects in accordance with the bases and assumptions made by directors of GZI and GZT as set out in the section headed "Fair Value of the 35% Equity Interest in Guangzhou Xinguang and 39% Equity Interest in Guangzhou Tailong" of the Announcement.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 1 December 2009

*As the business valuation report set out in Appendix I of this circular is based on discounted cash flow method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter from the board of directors of GZI and the Board on such valuations for the purpose of incorporation in this circular.*



1 December 2009

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,

**Guangzhou Investment Company Limited (“GZI”) — Connected Transaction  
GZI Transport Limited (“GZI”) — Discloseable and Connected Transaction**

We refer to the valuation report dated 1 December 2009 and prepared by Greater China Appraisal Limited (“**Valuer**”) in relation to the valuations of the fair value of a 35% equity interest in 廣州市新廣公路發展有限公司 (Guangzhou Xinguang Highways Development Company Limited\*) and a 39% equity interest in 廣州市太龍公路發展有限公司 (Guangzhou Tailong Highways Development Company Limited\*), both being cooperative joint venture companies established in the People’s Republic of China, as at 30 September 2009 (the “**Valuations**”). The Valuations, which are 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 Valuations have been prepared, and reviewed the Valuations for which the Valuer is responsible. We have also considered the letter from our reporting accountant, PricewaterhouseCoopers, regarding whether the Valuations were compiled properly so far as the calculations are concerned.

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

Yours faithfully,

For and on behalf of the board of directors of  
**Guangzhou Investment Company Limited**  
**LU Zhifeng**  
*Chairman*

For and on behalf of the board of directors of  
**GZI Transport Limited**  
**ZHANG Zhaoxing**  
*Chairman*

\* For identification purpose only

**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF DIRECTORS' INTERESTS IN THE COMPANY**

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

**Long Positions in the issued ordinary shares of the Company and its associated corporations**

<b>Name of Director</b>	<b>Interest in the Company or its associated corporations</b>	<b>Capacity in holding interest</b>	<b>Approximate % of shareholding in the total issued shares</b>	<b>Number of Shares</b>
Mr. Liang Ningguang	the Company	Beneficial owner	0.002	34,950
Mr. Liu Yongjie	the Company	Beneficial owner	0.004	61,650
Mr. Lau Hon Chuen Ambrose	the Company	Beneficial owner	0.01	195,720
Mr. Li Xinmin	the Company	Beneficial owner	0.01	200,000
Mr. Qian Shangning	the Company	Beneficial owner	0.01	200,000

As at the Latest Practicable Date, none of the Directors or the experts named in paragraph 4(a) below in this appendix had any direct or indirect interests in any assets which have since 31 December 2008 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

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

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name	Capacity in holding interest	Long/Short position	Approximate % of shareholding in Shares	Number of Shares held
Yue Xiu ( <i>Note 1</i> )	Beneficial owner and interest of controlled corporations	Long position	60.15	1,006,366,050
Grace Lord Group Limited	Beneficial owner	Long position	34.57	578,428,937
First Dynamic Limited	Interest of controlled corporation	Long position	21.96	367,500,000
Housemaster Holdings Limited ( <i>Note 1</i> )	Beneficial owner	Long position	21.96	367,500,000
Mr. Cheah Cheng Hye ( <i>Note 2</i> )	Founder of discretionary trust	Long position	6.79	113,637,000
Hang Seng Bank Trustee International Limited ( <i>Note 2</i> )	Trustee	Long position	6.79	113,637,000
Cheah Company Limited ( <i>Note 2</i> )	Interest of controlled corporations	Long position	6.79	113,637,000
Cheah Capital Management Limited ( <i>Note 2</i> )	Interest of controlled corporations	Long position	6.79	113,637,000
Value Partners Group Limited ( <i>Note 2</i> )	Interest of controlled corporations	Long position	6.79	113,637,000
Value Partners Limited ( <i>Note 2</i> )	Investment manager	Long position	6.79	113,637,000

Name	Capacity in holding interest	Long/Short position	Approximate % of shareholding in Shares	Number of Shares held
Ms. To Hau Yin (Note 2)	Spouse	Long position	6.79	113,637,000
Shanghai Industrial Investment (Holdings) Company Limited (Note 3)	Interest of controlled corporations	Long position	5.98	100,046,000

*Notes:*

- (1) Yue Xiu held 8,653 Shares as beneficial owner and deemed interest in the balance of 1,006,357,397 Shares through its wholly-owned subsidiaries, namely, Grace Lord Group Limited, Housemaster Holdings Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd. and Greenwood Pacific Limited.
  - (2) Value Partners Limited held these shares as investment manager. Mr. Cheah Cheng Hye, being the founder of The C H Cheah Family Trust, is deemed to be interested in 113,637,000 Shares by virtue of the SFO. Hang Seng Bank Trustee International Limited, the trustee of The C H Cheah Family Trust, holds 100% interest in Cheah Company Limited which holds 100% interest in Cheah Capital Management Limited, which holds a 31.23% interest in Value Partners Group Limited, which in turn holds 100% interest in Value Partners Limited.
- Ms. To Hau Yin is the spouse of Mr. Cheah Cheng Hye and is deemed to be interested in the Shares held by Mr. Cheah Cheng Hye.
- (3) The capacity of Shanghai Industrial Investment (Holdings) Company Limited in holding the 100,046,000 Shares is attributable to interests of controlled corporations.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons or entities (other than Directors or chief executives of the Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of subsidiaries	Name of substantial shareholders	Approximate % of interest held
廣州市南新公路發展有限公司 Guangzhou Nanxin Highways Development Company Limited*	GHDC	20
Guangzhou Taihe	GHDC	20
Guangzhou Tailong	GHDC	49
廣州市維安公路發展有限公司 Guangzhou Weian Highways Development Company Limited*	GHDC	20
Guangzhou Xinguang	GHDC	45
廣州市北二環高速公路有限公司 (Guangzhou Northern Second Ring Expressway Co., Ltd.*)	GHDC	30
湖南越通路橋發展有限公司 (Hunan Yue Tung Highway and Bridge Development Company Limited*)	中國湘潭湘橋發展股份有限公司 (China Xiangtan Xiangqiao Development Joint Stock Company*)	10
Yan Tung Investment Limited	Festoon Enterprises Limited	16.67
天津津富高速公路有限公司	天津高速公路集團有限公司	40
Tianjin Jinfu Expressway Co., Ltd.*	Tianjin Expressway Group*	
天津朗道高速公路有限公司	天津高速公路集團有限公司	40
Tianjin Langdao Expressway Co., Ltd.*	Tianjin Expressway Group*	
天津原鴻高速公路有限公司	天津高速公路集團有限公司	40
Tianjin Yuanhong Expressway Co., Ltd.*	Tianjin Expressway Group*	
蒼梧桂海蒼郁高速公路有限公司	彭劍雄	10
Cangwu Guihai Cangyu Expressway Co., Ltd.*	Peng Jian Xiong	

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Mr. Zhang Zhaoxing and Mr. Liang Ningguang are also directors of Yue Xiu, Grace Lord Group Limited, First Dynamic Limited and Housemaster Holdings Limited. Mr. Li Xinmin, Mr. Liu Yongjie and Mr. Wang Shuhui are also directors of First Dynamic Limited and Housemaster Holdings Limited. Save as disclosed above, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

**4. EXPERTS' DISCLOSURE OF INTEREST AND CONSENT**

- (a) The following are the qualifications of the experts who have given opinions or advices contained in this circular:

<b>Name</b>	<b>Qualification</b>
Yu Ming	a deemed licensed corporation eligible to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
GCA	an independent professional business valuer
THI Asia Consultants Limited	an independent professional traffic consultant

- (b) As at the Latest Practicable Date, Yu Ming, PricewaterhouseCoopers, GCA and THI Asia Consultants Limited had no direct or indirect shareholding 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.
- (c) Yu Ming, PricewaterhouseCoopers, GCA and THI Asia Consultants Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion therein of their respective letters and reference to their respective names in the form and context in which they appear.

**5. SERVICE CONTRACT**

None of the Directors had, as at the Latest Practicable Date, a service contract or a proposed service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**6. MISCELLANEOUS**

- (a) The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited consolidated accounts of the Group were made up.
- (b) As at the latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.
- (c) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.



**7. DOCUMENTS AVAILABLE**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the principal place of business of the Company at 23rd Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong up to 5 January 2010:

- (a) the Compensation Agreement, the Guangzhou Xinguang Equity Transfer Contract, the Guangzhou Xinguang Debt Assignment, the Guangzhou Tailong Equity Transfer Contract and the Guangzhou Tailong Debt Assignment;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular;
- (c) the letter of recommendation from Yu Ming to the Independent Board Committee and the Shareholders, the text of which is set out on pages 24 to 36 of this circular;
- (d) the business valuation report from GCA, the text of which is set out in Appendix I to this circular;
- (e) the traffic and revenue forecast report on Guangzhou Xinguang and Guangzhou Tailong from THI Asia Consultants Limited, the text of which is set out in Appendix II to this circular;
- (f) the letter from PricewaterhouseCoopers in relation to discounted future estimated cash flows, the text of which is set out in Appendix III to this circular;
- (g) the letter from the board of directors of GZI and the board in relation to valuations, the text of which is set out in Appendix IV to this circular; and
- (h) the written consents of Yu Ming, PricewaterhouseCoopers, GCA and THI Asia Consultants Limited respectively referred to in paragraph 4 in this appendix.