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

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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult appropriate independent advisers to obtain independent professional advice.

If you have sold or transferred all your shares in Guangzhou Investment Company Limited (the “Company”), you should at once hand this circular together with the enclosed 2nd proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities nor is it calculated to invite any such offer or invitation.

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**越秀投資有限公司**

**GUANGZHOU INVESTMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 123)**

**SEPARATION OF NON-PROPERTY RELATED BUSINESS TO FOCUS ON  
PROPERTY BUSINESS**

**DECLARATION OF A SPECIAL DIVIDEND BY THE COMPANY TO BE  
EFFECTED BY WAY OF DISTRIBUTION IN SPECIE OF GZT SHARES  
WITH A CASH ALTERNATIVE**

**MONETARIZATION OF INTEREST IN GZT RESULTING IN CASH  
PROCEEDS OF APPROXIMATELY HK\$1,631.2 MILLION THROUGH AN  
OFFER FOR SALE OF GZT SHARES BY THE COMPANY TO THE  
QUALIFYING SHAREHOLDERS UNDERWRITTEN BY YUE XIU**

**MAJOR AND CONNECTED TRANSACTION**

Financial adviser to Guangzhou Investment Company Limited



Standard Chartered Bank (Hong Kong) Limited

Independent financial adviser to the independent board committee  
and the independent shareholders of Guangzhou Investment Company Limited



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

Yu Ming Investment Management Limited

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A letter from the board of directors of the Company is set out on pages 7 to 29 of this circular. A letter from the independent board committee of the Company to the Independent Shareholders is set out on pages 30 to 31 of this circular. A letter of advice from Yu Ming Investment Management Limited, the independent financial adviser to the independent board committee of the Company and the Independent Shareholders, is set out on pages 32 to 50 of this circular.

A supplementary notice convening the extraordinary general meeting of the Company (the “EGM”) to be held on Thursday, 26 November 2009 at 10 a.m. is set out on pages V-1 to V-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed 2nd proxy form in respect of the newly proposed resolution for the EGM in accordance with the instructions printed thereon to the Company’s share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the EGM (or any adjourned meeting thereof). Completion and return of the 2nd proxy form for the EGM will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

10 November 2009

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## DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Cash Alternative”	an alternative available to each of the Qualifying Shareholders (other than Yue Xiu) to elect to receive the Cash Payment in lieu of the whole of (in the case of HKSCC Nominees Limited, the whole or part of) the GZT Shares proposed to be distributed to him/her/it pursuant to the GZT Share Distribution
“Cash Payment”	a cash payment in an amount to be determined by reference to the Offer Price, which is to be paid to the Qualifying Shareholders who elect or are deemed to have elected to receive the Cash Alternative and to the Excluded Shareholders (if any)
“Company”	Guangzhou Investment Company Limited (越秀投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange and on the stock exchange operated by Singapore Exchange Securities Trading Limited
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“connected person”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the change of name of the Company and the Share Offer, including the Underwriting Agreement and the transactions contemplated thereunder
“Excluded Shareholder(s)”	those Overseas Shareholders to whom the Board, based on enquiries made with its lawyers and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, considers it necessary or expedient not to offer the Offer Shares or the Cash Alternative under the GZT Share Distribution

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## DEFINITIONS

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“Form of Election”	a form of election in respect of the Cash Alternative to be despatched to each Qualifying Shareholder (other than Yue Xiu) during the book closure period and before the date of the EGM
“Four Subsidiaries”	four wholly-owned subsidiaries of GZT Holdco (namely, Housemaster Holdings Limited, Power Head Limited, Delta Force Holding Limited and Lawson Enterprises Limited)
“Group”	the Company and its subsidiaries
“GZI REIT”	GZI Real Estate Investment Trust
“GZT”	GZI Transport Limited (越秀交通有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“GZT Holdco”	GZI Transport (Holdings) Limited, a company incorporated in the British Virgin Islands with limited liability
“GZT Share(s)”	ordinary share(s) of HK\$0.10 par value each in the share capital of GZT
“GZT Share Distribution”	the distribution in specie of GZT Shares to the Shareholders as registered at the close of business on the Record Date representing a special dividend in the aggregate amount of approximately HK\$642 million, which is conditional upon the fulfilment of the Share Offer Conditions and completion of the Inter-Company Distribution and Transfer
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders (other than Yue Xiu and its associates)
“Inter-Company Distribution and Transfer”	the transactions described under the sub-section headed “Inter-Company Distribution and Transfer Involved In the Reorganisation” under the section headed “Proposed Reorganisation”
“Irrevocable Undertaking”	the irrevocable undertaking given by Yue Xiu on 20 October 2009 under which it has irrevocably undertaken to accept all the GZT Shares proposed to be distributed to it pursuant to the GZT Share Distribution and to take up all its entitlements under the Share Offer

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## DEFINITIONS

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“Last Trading Day”	15 October 2009, being the last trading day of the GZT Shares immediately prior to the release of the announcement of the Company dated 20 October 2009
“Latest Practicable Date”	6 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Document”	the offer document to be issued by the Company in connection with the Share Offer
“Offer Documents”	the Offer Document and the application form in respect of the purchase of the Offer Shares
“Offer Documents Posting Date”	the date on which the posting of the Offer Documents to the Qualifying Shareholders takes place (or such later date as Yue Xiu and the Company may agree in writing)
“Offer Price”	HK\$3.00 per GZT Share
“Offer Share(s)”	not less than approximately 543.7 million GZT Shares, subject to adjustment if there are any Undistributed GZT Shares and if there is a change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, proposed to be offered for sale by the Company to the Qualifying Shareholders pursuant to the Share Offer
“Overseas Shareholders”	the Shareholders with registered address on the register of members of the Company outside Hong Kong at the close of business on the Record Date
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular only, Hong Kong and Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Property Business”	the business of property development, management and investment
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date (other than the Excluded Shareholders)
“Record Date”	23 November 2009, being the date by reference to which entitlements to the GZT Share Distribution and the Share Offer will be determined

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## DEFINITIONS

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“Reorganisation”	the GZT Share Distribution, the Share Offer, the Inter-Company Distribution and Transfer and the respective transactions contemplated thereunder
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Share(s)”	ordinary share(s) of HK\$0.10 par value each in the share capital of the Company
“Share Offer”	the proposed sale by the Company of the Offer Shares by way of an offer for sale of all the GZT Shares held by it immediately following completion of the Inter-Company Distribution and Transfer and the GZT Share Distribution to the Qualifying Shareholders for the Offer Price, which is payable in cash in full on acceptance, on the terms to be set out in the Offer Documents
“Share Offer Conditions”	(a) the Share Offer having been approved by the Independent Shareholders; and (b) the Underwriting Agreement having become unconditional and Yue Xiu not having terminated the Underwriting Agreement in accordance with the terms thereof
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“trading day”	a day on which the Stock Exchange is open for trading
“Transport Business”	the business of investment and operation of various toll expressways, national highways and bridges in China
“Treasure House”	Treasure House Limited, a wholly-owned subsidiary of the Company which was incorporated in the British Virgin Islands
“Underwriting Agreement”	the underwriting agreement dated 20 October 2009 entered into between the Company and Yue Xiu in relation to the Share Offer
“Undistributed GZT Shares”	such number of GZT Shares as shall be equal to the difference between approximately 214.0 million GZT Shares and the total number of GZT Shares actually distributed pursuant to the GZT Share Distribution
“Yu Ming”	Yu Ming Investment Management Limited, a licensed corporation for types 1, 4, 6, and 9 regulated activities under the SFO, which is an independent third party

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## DEFINITIONS

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“Yue Xiu”	Yue Xiu Enterprises (Holdings) Limited. (越秀企業(集團)有限公司), a company incorporated in Hong Kong and, as at the Latest Practicable Date, Yue Xiu, together with its associates, are beneficially interested in approximately 46.93% of issued share capital in the Company
“Yue Xiu Group”	Yue Xiu and its subsidiaries
“%”	per cent.

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## EXPECTED TIMETABLE

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2009

Despatch date of this circular .....	10 November
Last day of dealings in the Shares cum entitlement to the GZT Share Distribution .....	18 November
First day of dealings in the Shares ex-entitlement to the GZT Share Distribution .....	19 November
Latest time for lodging transfers of the Shares cum entitlement to the GZT Share Distribution .....	4:30 p.m. on 20 November
Register of members of the Company closes .....	23 to 26 November
Record Date for determining the entitlement to the GZT Share Distribution and the Share Offer .....	23 November
Latest time for return of the 2nd proxy forms in respect of the EGM .....	10 a.m. on 24 November
EGM .....	10 a.m. on 26 November
Register of members of the Company re-opens .....	27 November

*All times and dates refer to Hong Kong local time.*

*Please note that the above timetable is subject to change. If there are changes to the above timetable, the Company will publish an announcement as soon as possible.*



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LETTER FROM THE BOARD

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越秀投資有限公司

**GUANGZHOU INVESTMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 123)**

*Executive Directors:*

Mr. LU Zhifeng (Chairman)  
Mr. ZHANG Zhaoxing  
Mr. LIANG Yi  
Mr. TANG Shouchun  
Mr. WANG Hongtao  
Ms. ZHOU Jin

*Registered office:*

26th Floor, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

*Independent Non-executive Directors:*

Mr. YU Lup Fat Joseph  
Mr. LEE Ka Lun  
Mr. LAU Hon Chuen Ambrose

10 November 2009

*To the Shareholders*

Dear Sir or Madam,

**SEPARATION OF NON-PROPERTY RELATED BUSINESS TO FOCUS ON  
PROPERTY BUSINESS**

**DECLARATION OF A SPECIAL DIVIDEND BY THE COMPANY TO BE  
EFFECTED BY WAY OF DISTRIBUTION IN SPECIE OF GZT SHARES WITH A  
CASH ALTERNATIVE**

**MONETARIZATION OF INTEREST IN GZT RESULTING IN CASH PROCEEDS  
OF APPROXIMATELY HK\$1,631.2 MILLION THROUGH AN OFFER FOR SALE  
OF GZT SHARES BY THE COMPANY TO THE QUALIFYING SHAREHOLDERS  
UNDERWRITTEN BY YUE XIU**

**MAJOR AND CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 20 October 2009 and the circular of the Company in respect of the change of name of the Company dated 3 November 2009.

The purpose of this circular is to provide you with more information relating to, among other things, details of (i) the Reorganisation; (ii) the recommendation of the independent board committee of the Company in relation to the Share Offer; (iii) a letter of advice from the independent financial advisor to the independent board committee of the Company and the Independent Shareholders in relation to the Share Offer; and (iv) the supplementary notice of the EGM.

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## LETTER FROM THE BOARD

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### A. INTRODUCTION

On 20 October 2009, the Board announced that the Company proposes to streamline the businesses of the Group in order to focus on the Property Business. Following the completion of such streamlining process, which will involve the separation of its non-property related business, the Company proposes to change its name and its stock short name.

The Company proposes to effect the streamlining by way of the Reorganisation, which involves, among other steps, the GZT Share Distribution and the Share Offer, details of which are set out in the announcement of the Company dated 20 October 2009. It is expected that, immediately following the completion of the Reorganisation, the Group will cease to hold any GZT Shares. Details of the Reorganisation are set out in the section headed “Proposed Reorganisation” below.

### B. EXISTING SHAREHOLDING STRUCTURE OF THE GROUP

As at the Latest Practicable Date, GZT had an issued share capital of HK\$167,316,229.50 divided into 1,673,162,295 GZT Shares, of which:

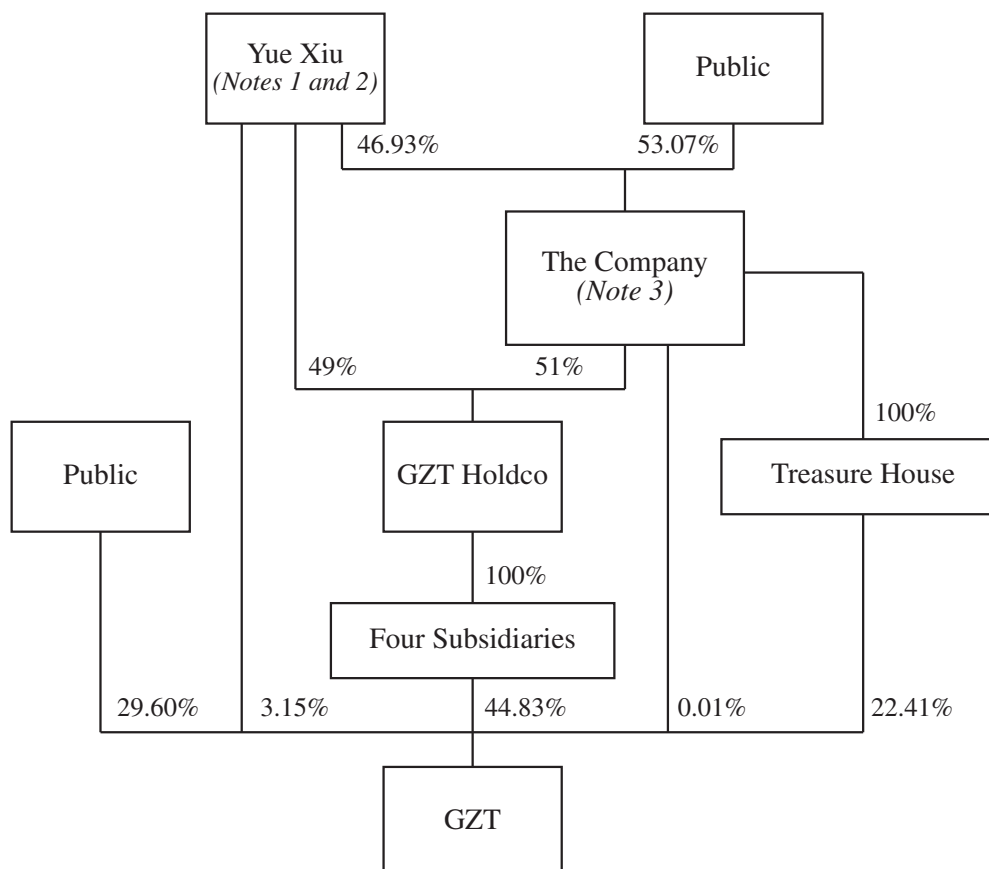
- (a) 52,679,113 GZT Shares, which represent approximately 3.15% of GZT’s issued share capital as at the Latest Practicable Date, were held by Yue Xiu and its wholly-owned subsidiaries;
- (b) 375,201,000 GZT Shares, which represent approximately 22.42% of GZT’s issued share capital as at the Latest Practicable Date, were held by the Company and its wholly-owned subsidiary, namely Treasure House; and
- (c) 750,000,000 GZT Shares, which represent approximately 44.83% of GZT’s issued share capital as at the Latest Practicable Date, were held indirectly by GZT Holdco (through the Four Subsidiaries). GZT Holdco is, in turn, held indirectly by Yue Xiu as to 49% and by the Company as to 51%.

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## LETTER FROM THE BOARD

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The simplified corporate chart of the Group as at the Latest Practicable Date is as follows:



Notes:

1. Yue Xiu's interests in GZT Holdco is held via its wholly-owned subsidiary.
2. Yue Xiu's interests in the Company is held via its wholly-owned subsidiaries.
3. The Company's interest in GZT Holdco is held via its wholly-owned subsidiary.

### C. PROPOSED REORGANISATION

The Reorganisation involves the GZT Share Distribution, the Share Offer and that, as part of the Reorganisation, Yue Xiu and the Company will reorganize their interests in GZT pursuant to the Inter-Company Distribution and Transfer for the purpose of effecting the GZT Share Distribution and the Share Offer.

#### (1) DECLARATION OF A SPECIAL DIVIDEND BY THE COMPANY TO BE EFFECTED BY WAY OF DISTRIBUTION IN SPECIE OF GZT SHARES WITH A CASH ALTERNATIVE

##### Distribution

On 16 October 2009, the Board conditionally declared a special dividend of approximately HK\$642 million. The Directors propose to distribute, by way of distribution in specie of GZT

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## LETTER FROM THE BOARD

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Shares, to the Qualifying Shareholders whose names appear on the register of members at the close of business on the Record Date. Pursuant to the GZT Share Distribution, the Company will distribute GZT Shares to the Qualifying Shareholders on the basis of 60 GZT Shares for every 2,000 Shares held at the close of business on the Record Date. Any Qualifying Shareholder not holding a multiple of 2,000 Shares will be entitled to receive GZT Shares on a pro-rata basis provided that the entitlement of such Shareholder will be rounded down to the nearest whole number of GZT Shares (i.e., no fractional GZT Share will be distributable). The GZT Share Distribution is conditional upon the fulfilment of the Share Offer Conditions and completion of the Inter-Company Distribution and Transfer, and is intended to be carried out at about the same time as the Share Offer.

The number of GZT Shares distributable pursuant to the GZT Share Distribution will be approximately 214.0 million GZT Shares, which represent approximately 12.8% of GZT's issued share capital as at the Latest Practicable Date. Such GZT Shares will be distributed based on the share price of HK\$3.00 per GZT Share and the total amount of the special dividend declared for the GZT Share Distribution will be approximately HK\$642 million.

### **Qualifying Shareholders**

To qualify for the GZT Share Distribution, a Shareholder must:

- (a) be registered as a member of the Company on the register of members of the Company; and
- (b) not be an Excluded Shareholder,

at the close of business on the Record Date.

### **Excluded Shareholders**

The GZT Share Distribution is not made available to the Excluded Shareholders in relation to whom the Directors, after reasonable enquiries, consider that the exclusion of such Shareholders is necessary or expedient either due to the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places. For Excluded Shareholders (if any), who will not be transferred GZT Shares pursuant to the GZT Share Distribution, the GZT Shares which such Excluded Shareholders would otherwise have been entitled to receive will be allocated to the Share Offer for offer to the Qualifying Shareholders in the manner described in the section headed "Offer for Sale of GZT Shares by the Company to the Qualifying Shareholders" below. The proceeds of sale of such GZT Shares will be used to fund Cash Payment to the Excluded Shareholders on the basis of the number of GZT Shares which the relevant Excluded Shareholders would otherwise have been entitled to receive under the GZT Share Distribution and the Offer Price.

As at the Latest Practicable Date, the Company had Overseas Shareholders in Australia, Canada, the PRC, Spain, United Kingdom, Macau and the United States of America with an aggregate shareholding of less than 0.005% of the issued share capital of the Company. The Board has made enquiries with its lawyers regarding the feasibility of distributing GZT Shares to these Overseas Shareholders pursuant to the GZT Share Distribution. Based on the advice provided by the relevant lawyers, distribution of GZT Shares can be made to the Overseas Shareholders with registered

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## LETTER FROM THE BOARD

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addresses in Australia, Spain, United Kingdom and Macau as there are no restrictions, or no onerous restrictions or relevant exemptions available in relation to the distribution of GZT Shares to the Shareholders in these jurisdictions. However, distribution of GZT Shares in Canada, the PRC and the United States of America would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable. As such, the Board is of the view that it is inexpedient for the distribution of GZT Shares to be made to the Overseas Shareholders in Canada, the PRC and the United States of America and such Overseas Shareholders will be regarded as Excluded Shareholders in relation to the GZT Share Distribution. The Company will make a separate announcement as soon as practicable after the Record Date and in any event on or before the date of despatch of the Form of Election to the Qualifying Shareholders in relation to the exclusion of Overseas Shareholders as at the Record Date to whom the distribution of GZT Shares will not be made pursuant to the GZT Share Distribution.

### Cash Alternative

To allow each of the Qualifying Shareholders (other than Yue Xiu) to have a choice as to whether to receive all of the GZT Shares to which he/she/it is entitled pursuant to the GZT Share Distribution or to receive a Cash Payment in the alternative, it is proposed that each of them will be given a Cash Alternative. **Each such Qualifying Shareholder may only choose to receive the Cash Alternative in respect of the whole of (but not part) (save in the case of HKSCC Nominees Limited, which may exercise the Cash Alternative in respect of the whole or part of) his/her/its GZT Shares proposed to be distributed to him/her/it pursuant to the GZT Share Distribution in consideration of a Cash Payment.** A Form of Election in respect of the election to receive the Cash Alternative or GZT Shares pursuant to the GZT Share Distribution will be despatched to each such Qualifying Shareholder during the book closure period and before the date of the EGM.

For illustration purpose, if a Qualifying Shareholder holds 2,000 GZI Shares, he/she/it will be entitled to elect to receive:

- (a) 60 GZT Shares; OR
- (b) HK\$180 if he/she/it elects the Cash Alternative,

pursuant to the GZT Share Distribution.

### *Procedure for election*

If the Company's share registrar, Tricor Abacus Limited, does not receive the Form of Election from a Qualifying Shareholder (other than Yue Xiu) by the required date and time printed therein or if the Form of Election is not completed in accordance with the instructions printed therein, such Qualifying Shareholder will be deemed to have elected to receive a **Cash Payment** instead of the GZT Shares proposed to be distributed to him/her/it and, hence, will not receive GZT Shares pursuant to the GZT Share Distribution.

It is the responsibility of any Shareholder outside Hong Kong wishing to elect the GZT Shares or to receive the Cash Payments to satisfy himself/herself/itself, before so electing, as to the

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## LETTER FROM THE BOARD

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observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such territory in connection therewith. The Company reserves the right to refuse to accept a Form of Election if it believes that the election of the GZT Shares by the relevant Shareholder would violate the applicable securities or other laws or regulations of any jurisdiction.

*Electing the Cash Alternative will not preclude you from participating in the Share Offer*

If you choose to elect the Cash Alternative, you will still be entitled to participate in the Share Offer (described below) and your right to accept your entitlement to the GZT Shares proposed to be offered to you pursuant to the Share Offer will not be affected.

*Undistributed GZT Shares resulting from the election of Cash Alternative to be allocated to the Share Offer*

The aggregate number of GZT Shares allocated for distribution which are not taken by the Qualifying Shareholders (other than Yue Xiu) pursuant to the GZT Share Distribution resulting from the election or deemed election of Cash Alternative by the relevant Qualifying Shareholders will be allocated to the Share Offer for offer to the Qualifying Shareholders in the manner described in the section headed “Offer for Sale of GZT Shares by the Company to the Qualifying Shareholders” below. The maximum number of Undistributed GZT Shares that may arise from the election or deemed election of the Cash Alternative by all Qualifying Shareholders (other than Yue Xiu) under the GZT Share Distribution will be approximately 113.6 million GZT Shares.

### **Irrevocable Undertaking**

Pursuant to the Irrevocable Undertaking, Yue Xiu has irrevocably undertaken to accept all the GZT Shares proposed to be distributed to it pursuant to the GZT Share Distribution being approximately 100.4 million GZT Shares, in aggregate.

**It is strongly recommended that any Shareholder or other person dealing in Shares and is in doubt about his/her/its position should seek advice from his/her/its own professional advisers.**

### **(2) OFFER FOR SALE OF GZT SHARES BY THE COMPANY TO THE QUALIFYING SHAREHOLDERS**

The Board proposes that, subject to and conditional upon the fulfilment of the Share Offer Conditions, the Company will make an offer for the sale of all the GZT Shares held by it immediately following completion of the Inter-Company Distribution and Transfer and the GZT Share Distribution. The actual number of Offer Shares subject to the Share Offer will be not less than approximately 543.7 million GZT Shares, subject to adjustment if there are any Undistributed GZT Shares resulting from, among other things, the election or deemed election of the Cash Alternative by the Qualifying Shareholders under the GZT Share Distribution and if there is a change in the issued share capital of the Company between the Latest Practicable Date and the Record Date.

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## LETTER FROM THE BOARD

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For illustration purpose, assuming that all Qualifying Shareholders (other than Yue Xiu) had elected to receive the Cash Alternative under the GZT Share Distribution and that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, the total number of Offer Shares subject to the Share Offer would be approximately 657.3 million GZT Shares in aggregate (representing approximately 39.3% of the issued share capital of GZT as at the Latest Practicable Date), which will be offered to the Qualifying Shareholders in the proportion of 184 Offer Shares for every 2,000 Shares held at the close of business on the Record Date and at the Offer Price.

Assuming that there were no Undistributed GZT Shares under the GZT Share Distribution and that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, the total number of Offer Shares subject to the Share Offer would be approximately 543.7 million GZT Shares in aggregate (representing approximately 32.5% of the issued share capital of GZT as at the Latest Practicable Date), which will be offered to the Qualifying Shareholders in the proportion of 152 Offer Shares for every 2,000 Shares held at the close of business on the Record Date and at the Offer Price.

### Offer statistics

- Total Number of Offer Shares : Not less than approximately 543.7 million GZT Shares in aggregate, subject to adjustment if there are any Undistributed GZT Shares and if there is a change in the issued share capital of the Company between the Latest Practicable Date and the Record Date.
- Basis of the Share Offer : Not less than 152 Offer Shares for every 2,000 Shares held at the close of business on the Record Date, subject to adjustment if there are any Undistributed GZT Shares and if there is a change in the issued share capital of the Company between the Latest Practicable Date and the Record Date.
- Offer Price : HK\$3.00 per Offer Share, payable in cash in full on acceptance (The total Offer Price receivable by the Company (after the Cash Payments payable to the Qualifying Shareholders, who have elected or are deemed to have elected to receive the Cash Payments, and the Excluded Shareholders (in each case, if any) and subject to relevant expenses) for all the Offer Shares is expected to be approximately HK\$1,631.2 million (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date))
- Number of GZT Shares in issue as : 1,673,162,295 GZT Shares  
at the Latest Practicable Date
- To the best knowledge and belief of the Board, as at the Latest Practicable Date, there are no outstanding options, warrants, derivatives or securities convertible or exchangeable into GZT Shares.

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## LETTER FROM THE BOARD

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The Company will make a separate announcement as soon as practicable after the last day of acceptance of the Form of Election in relation to the results of election by the Qualifying Shareholders (other than Yue Xiu) under the GZT Share Distribution, the total number of GZT Shares subject to the Share Offer and the number of Offer Shares to be offered for every 2,000 Shares held at the close of business on the Record Date.

### **Qualifying Shareholders**

The Share Offer is only available to the Qualifying Shareholders. The Company will send (i) the Offer Documents to the Qualifying Shareholders and (ii) the Offer Document, for information only, to the Excluded Shareholders (other than to those Excluded Shareholders in relation to whom the Directors, after reasonable enquires, consider that the exclusion of such Shareholders is necessary or expedient either due to the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory body or stock exchange in those places). To qualify for the Share Offer, the Shareholders must:

- (a) be registered as a member of the Company on the register of members of the Company; and
- (b) not be an Excluded Shareholder,

at the close of business on the Record Date.

The Share Offer will be extended to the Qualifying Shareholders only.

### **No transfer of rights to purchase and no application for excess Offer Shares**

The invitation to purchase the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading of such rights to purchase on the Stock Exchange.

The Qualifying Shareholders will not be entitled to purchase any Offer Share in excess of their respective rights to purchase. Any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by Yue Xiu.

### **Rights of the Excluded Shareholders**

If, at the close of business on the Record Date, a Shareholder's registered address and correspondence address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Share Offer as the Offer Documents are not expected to be registered and/or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Board will make enquiries with its lawyers as to whether the offer for sale of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Share Offer will not be made available to such Overseas Shareholders.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company had Overseas Shareholders in Australia, Canada, the PRC, Spain, United Kingdom, Macau and the United States of America with an aggregate shareholding of less than 0.005% of the issued share capital of the Company. The Board has made enquiries with its lawyers regarding the feasibility of extending the Share Offer to these Overseas Shareholders. Based on the advice provided by the relevant lawyers, the offer of the Offer Shares can be extended to the Overseas Shareholders with registered addresses in Australia, Spain, United Kingdom and Macau as there are no restrictions, or no onerous restrictions or relevant exemptions available in relation to the offering of Offer Shares to the Shareholders in these jurisdictions. However, the offer of the Offer Shares in Canada, the PRC and the United States of America would, or might, in the absence of compliance with registration or other special formalities, be unlawful or impracticable. As such, the Board is of the view that it is inexpedient for the Share Offer to be made available to the Overseas Shareholders in Canada, the PRC and the United States of America and such Overseas Shareholders will be regarded as Excluded Shareholders in relation to the Share Offer. The Company will make a separate announcement as soon as practicable after the Record Date, and in any event on or before the date of despatch of the Offer Document and the application forms to the Qualifying Shareholders, in relation to the exclusion of Overseas Shareholders as at the Record Date to whom the Share Offer will not be made available.

The Company will send the Offer Document, for information only, to the Excluded Shareholders (if any), other than to those Excluded Shareholders that the Directors consider the exclusion is necessary as described above. The Company will not send the application form in respect of the purchase of Offer Shares to the Excluded Shareholders. However, so long as the Excluded Shareholders are Independent Shareholders, they are entitled to cast their votes on the resolution in relation to the Share Offer at the EGM. All Shareholders are entitled to cast their votes on the resolution in relation to the Company's change of name at the EGM.

### **Offer Price**

The Offer Price is HK\$3.00 per Offer Share, payable in cash in full on application. The Offer Price represents:

- (a) a discount of approximately 3.23% to the closing price of HK\$3.10 per GZT Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 2.04% over the average closing prices of HK\$2.94 per GZT Share for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 3.09% over the average closing price of HK\$2.91 per GZT Share for the last ten consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 3.09% over the average closing price of HK\$2.91 per GZT Share for the last thirty consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 9.91% to the closing price of HK\$3.33 per GZT Share as quoted on the Stock Exchange on the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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- (f) a discount of approximately 40.48% to the unaudited consolidated net assets value of HK\$5.04 per GZT Share as at 30 June 2009, being the date of which the latest unaudited consolidated financial information of GZT was made up.

Based on the Offer Price and assuming that there were no Undistributed GZT Shares and that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, the aggregate value of all the Offer Shares is expected to be approximately HK\$1,631.2 million. The Offer Price was arrived at with reference to the market price of the GZT Shares under the prevailing market conditions and was agreed on an arm's length basis between the Company and Yue Xiu as the underwriter of the Share Offer. The Directors consider the Offer Price and the rate of discount to the closing price on the Last Trading Day to be fair and reasonable and in the interests of Shareholders as a whole.

### **Intended use of proceeds**

It is the present intention of the Directors to use all the anticipated cash proceeds (after the Cash Payment payable to the Qualifying Shareholders, who have elected or are deemed to have elected to receive the Cash Payment and the Excluded Shareholders (in each case, if any) and subject to relevant expenses) to be received by the Company from the sale of the Offer Shares for the acquisition and development of real estate projects in the PRC and working capital purposes. Based on the estimation of Directors, the cash proceeds (after the Cash Payment payable to the Qualifying Shareholders, who have elected or are deemed to have elected to receive the Cash Payment and the Excluded Shareholders (in each case, if any) and subject to relevant expenses) to be received by the Company from the sale of the Offer Shares is expected to be approximately HK\$1,631.2 million (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date).

### **Stamp duty**

Buyer's ad valorem stamp duty at a rate of 0.1% of the market value of the GZT Shares or consideration payable by the Qualifying Shareholders who accept the Share Offer, whichever is higher, will be payable by such Qualifying Shareholders together with the Offer Price for the Offer Shares payable to the Company. The Company will arrange for payment of the buyer's ad valorem stamp duty on behalf of the accepting Qualifying Shareholders and will pay the seller's ad valorem stamp duty in connection with the transfer of the Offer Shares under the Share Offer.

### **Status of the Offer Shares**

Subject to the fulfilment of the Share Offer Conditions, the Offer Shares to be sold under the Share Offer shall be fully-paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of completion of the transfer of the Offer Shares pursuant to the Share Offer.

The Offer Shares are listed and tradeable, and will immediately after completion of the Share Offer, continue to be listed and tradeable, on the Stock Exchange, subject to the relevant rules and regulations of the Stock Exchange.

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## LETTER FROM THE BOARD

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### **Fractional entitlements**

Any Shareholder not holding a multiple of 2,000 Shares will be entitled to purchase GZT Shares on a pro-rata basis provided that the entitlement of such Shareholder will be rounded down to the nearest whole number of GZT Shares (i.e., any entitlement to purchase a fraction of GZT Share will be disregarded). The unsold Offer Shares resulting from such rounding down arrangement together with other Offer Shares not taken up by the Qualifying Shareholders and any Undistributed GZT Shares (if applicable) will be purchased by Yue Xiu pursuant to the underwriting arrangement for the Share Offer.

### **Certificates of GZT Shares**

Subject to the fulfilment of the Share Offer Conditions and completion of the Inter-Company Distribution and Transfer and the GZT Share Distribution, share certificates for the Offer Shares and GZT Shares distributed pursuant to the GZT Share Distribution will be posted to those entitled thereto by ordinary post at their own risk at such time as set out in the Offer Document.

The Company will explore the possibility of engaging a broker to stand in the market to purchase and sell odd lots of GZT Shares held by the Qualifying Shareholders after completion of the GZT Share Distribution and the Share Offer at the relevant market price per GZT Share, although no assurance could be given that such an arrangement can be made. The Company will make a separate announcement in relation to whether such odd lots matching arrangement will or will not be made as soon as practicable, and in any event not later than the date of the despatch of the Form of Election to the Qualifying Shareholders.

### **Irrevocable Undertaking**

Pursuant to the Irrevocable Undertaking, Yue Xiu has irrevocably undertaken to take up all its entitlements under the Share Offer being not less than approximately 254.4 million Offer Shares (assuming that there were no Undistributed GZT Shares under the GZT Share Distribution and that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date) and not more than 307.9 million Offer Shares (assuming that all Qualifying Shareholders (other than Yue Xiu) had elected to receive the Cash Alternative under the GZT Share Distribution and that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date), in aggregate.

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## LETTER FROM THE BOARD

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### **The Underwriting Agreement and underwriting arrangements**

On 20 October 2009, the Company and Yue Xiu entered into the Underwriting Agreement, the principal terms and conditions of which are summarized below:

- Date : 20 October 2009
- Underwriter : Yue Xiu, the controlling shareholder of the Company
- Maximum number of Offer Shares being underwritten by Yue Xiu : Pursuant to the Underwriting Agreement, Yue Xiu has conditionally agreed to underwrite the Offer Shares, including any Undistributed GZT Shares (if applicable) and unsold Offer Shares resulting from the rounding arrangement (if applicable) and any Offer Shares not taken up by the Qualifying Shareholders (other than Yue Xiu) at HK\$3.00 per Offer Share on a fully underwritten basis, being not more than approximately 349.4 million Offer Shares subject to the terms and conditions of the Underwriting Agreement. The aggregate value of such Offer Shares (determined by reference to the Offer Price of HK\$3.00 per GZT Share) amounts to approximately HK\$1,048.2 million.

No commission will be payable to Yue Xiu. The Company will reimburse Yue Xiu for all reasonable costs and expenses incurred in connection with the underwriting under the Underwriting Agreement.

The ordinary course of business of Yue Xiu does not include underwriting.

The Underwriting Agreement also contains customary warranties, representations and indemnities provisions provided by the Company in favour of Yue Xiu.

### **Conditions precedent to the Underwriting Agreement**

The Underwriting Agreement is conditional upon, among other things, fulfilment of the following conditions precedent:

- (a) despatch of the circular of the Company in relation to, among other matters, the Share Offer to all the Shareholders;
- (b) obtaining the approval of the Independent Shareholders for the Share Offer by way of poll at the EGM;
- (c) the registration with the Registrar of Companies in Hong Kong of one copy of each of the Offer Documents to be issued by the Company duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors and all other documents required to be attached thereto (if any) in compliance with the Companies Ordinance not later than the Offer Documents Posting Date;

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## LETTER FROM THE BOARD

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- (d) despatch of the Offer Documents to the Qualifying Shareholders and despatch of a copy of the Offer Document stamped “For Information Only” to the Excluded Shareholders (other than to those Excluded Shareholders that the Directors consider the exclusion is necessary as described above) on or before the Offer Documents Posting Date;
- (e) the Company having received written consent from the relevant banks in respect of the Reorganisation (including the Share Offer);
- (f) compliance with and performance of all the undertakings and obligations of the Company under clause 3 of the Underwriting Agreement; and
- (g) compliance with and performance of all the undertakings and obligations of Yue Xiu under clause 4 of the Underwriting Agreement.

Save for condition precedent (e) and (f) (which may be waived by Yue Xiu) and condition precedent (g) (which may be waived by the Company), none of the above conditions precedent can be waived by the Company or Yue Xiu.

The Board has been informed by Yue Xiu that Yue Xiu has obtained bank commitment to finance its underwriting obligations under the Underwriting Agreement. The Board also confirms that condition precedent (e) has been fulfilled.

### **Termination of the Underwriting Agreement**

Pursuant to the Underwriting Agreement, Yue Xiu, as the underwriter, has the right to terminate the arrangements by notice in writing given to the Company at any time prior to 8:00 a.m. on the Offer Documents Posting Date, if one or more of the events or matters (whether or not forming part of a series of events) occur, arise or exist, which, in the reasonable opinion of Yue Xiu, is or are likely to have a material adverse effect on the business or financial or trading position or prospects of GZT and/or its Subsidiaries (as defined in the Underwriting Agreement). Upon giving of notice of such termination of the Underwriting Agreement, all obligations of Yue Xiu as the underwriter under the Underwriting Agreement will cease and terminate and no party to the Underwriting Agreement shall have any claim against the other party to the Underwriting Agreement in respect of any matter or thing arising out of or in connection with the Underwriting Agreement except in respect of any antecedent breach of the Underwriting Agreement and the Share Offer will not proceed.

### **(3) INTER-COMPANY DISTRIBUTION AND TRANSFER INVOLVED IN THE REORGANISATION**

In order to effect the GZT Share Distribution and the Share Offer, Yue Xiu and the Company will reorganize their interests in GZT before completion of the GZT Share Distribution and the Share Offer as follows, subject to and conditional upon the fulfilment of the Share Offer Conditions:

- (a) GZT Holdco will distribute its interests in the Four Subsidiaries to the Company and Yue Xiu, following which certain of the Four Subsidiaries will distribute or transfer the respective GZT Shares held by them to the Company, so that the Company and Yue Xiu will (whether directly or indirectly) hold the GZT Shares in proportion to their respective interests in GZI Holdco; and

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## LETTER FROM THE BOARD

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- (b) Treasure House, a wholly-owned subsidiary of the Company, will transfer the GZT Shares held by it to the Company.

Immediately following completion of the Inter-Company Distribution and Transfer and before completion of the GZT Share Distribution and the Share Offer:

- (a) Yue Xiu will, directly and indirectly (excluding indirect ownership of GZT Shares through the Company), hold 420,179,113 GZT Shares, representing approximately 25.11% of GZT's issued share capital as at the Latest Practicable Date; and
- (b) the Company will directly hold 757,701,000 GZT Shares, representing approximately 45.29% of GZT's issued share capital as at the Latest Practicable Date.

### **D. SHARE OFFER CONDITIONS**

Completion of the Share Offer is subject to and conditional upon fulfilment of the following conditions:

- (a) the Share Offer having been approved by the Independent Shareholders; and
- (b) the Underwriting Agreement having become unconditional and Yue Xiu not having terminated the Underwriting Agreement in accordance with the terms thereof.

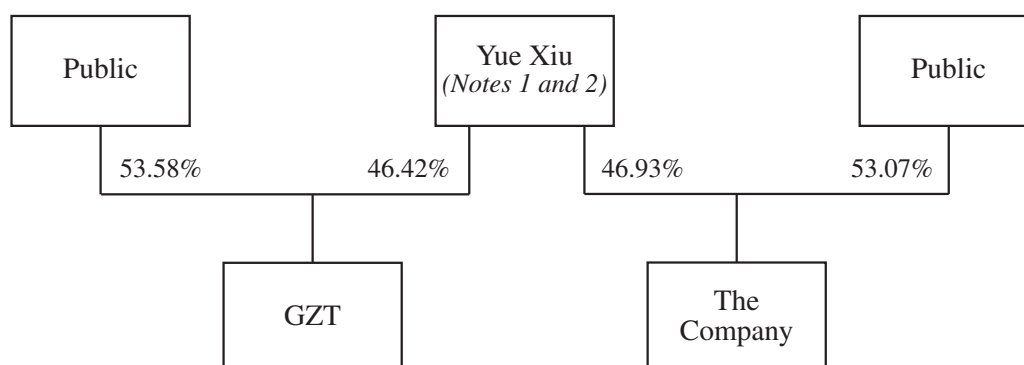
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## LETTER FROM THE BOARD

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### E. SHAREHOLDING STRUCTURE OF THE COMPANY AND GZT AFTER THE REORGANISATION

Immediately following completion of the Reorganisation, assuming that there were no Undistributed GZT Shares, all Qualifying Shareholders had accepted the Offer Shares, all of the Offer Shares to which the Excluded Shareholders are entitled had been taken up by Yue Xiu pursuant to the terms of the Underwriting Agreement and there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, the simplified corporate chart of the Company and GZT will be as follows:



*Notes:*

1. Yue Xiu's interest in GZT will be held via its wholly-owned subsidiaries.
2. Yue Xiu's interest in the Company will be held via its wholly-owned subsidiaries.

Assuming that there were no Undistributed GZT Shares and all of the Offer Shares were taken up by Yue Xiu pursuant to the Underwriting Agreement and that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, up to approximately 63.61% of the issued share capital of GZT will be held by Yue Xiu immediately following completion of the Reorganisation.

Assuming that all Qualifying Shareholders (other than Yue Xiu) had elected to receive the Cash Alternative, all Qualifying Shareholders had accepted the Offer Shares and there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, up to approximately 49.59% of the issued share capital of GZT will be held by Yue Xiu immediately following completion of the Reorganisation.

Assuming that all Qualifying Shareholders (other than Yue Xiu) had elected to receive the Cash Alternative, all of the Offer Shares were taken up by Yue Xiu pursuant to the Underwriting Agreement and there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date, up to approximately 70.40% of the issued share capital of GZT will be held by Yue Xiu immediately following completion of the Reorganisation.

Upon completion of the Reorganisation, GZT will cease to be a subsidiary of the Company.

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## LETTER FROM THE BOARD

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### **F. EXPECTED TIME OF COMPLETION OF THE REORGANISATION**

It is expected that the Reorganisation will complete by the end of 2009.

### **G. FINANCIAL EFFECT OF THE REORGANISATION TO THE GROUP**

In order to illustrate the financial effect of the Reorganisation to the Group, the figures set out in this section have been calculated based on the unaudited consolidated financial results of the Company for the six months ended 30 June 2009. The actual financial effect of the Reorganisation can only be determined upon completion of the Reorganisation by reference to the actual financial figures of the Company at that time and the market price of GZT Shares at that time.

Upon completion of the Reorganisation, the Company would no longer consolidate the financials of GZT into its balance sheet and profit and loss account. As at 30 June 2009, the share of net asset value of the Group's interest in GZT was approximately HK\$3,821 million, representing approximately 25.0% of the Group's unaudited consolidated net asset value as at the same day in the amount of approximately HK\$15,382.0 million. This interest in GZT had contributed to the Group's consolidated profit attributable to shareholders of HK\$79.8 million, for the six months ended 30 June 2009, and HK\$275.1 million, for the year ended 31 December 2008 (representing approximately 11.7% and 45.2%, respectively, of the Group's consolidated profit attributable to shareholders for the same period). Despite the loss of such contribution to the Group's consolidated profit following completion of the Reorganisation, the Board believes that the Group may be able to generate enhanced return by investing the cash derived from the Share Offer in the real estate sector.

The key balance sheet impact of the Reorganisation will be a reduction in the Group's consolidated net asset value by approximately 14.4% as compared to the Group's unaudited consolidated net asset value as at 30 June 2009. The Board believes such reduction in net asset value will not have any material adverse impact on the Group's financials and operations. It is also expected that the Group may incur a one time non-cash loss as a result of the Reorganisation due to the difference between the Group's share of net assets value of GZT and the market value of those shares by reference to which the GZT Share Distribution and the Share Offer are determined. (For illustration purpose only and as calculated based on the unaudited consolidated financial statements of the Group as at 30 June 2009, the amount of such one time non-cash loss that the Group may incur is estimated to be approximately HK\$1,578.2 million which represents the difference between the Group's share of net assets value of GZT of approximately HK\$3,821 million as at 30 June 2009 and the market value of those shares by reference to the Offer Price of HK\$3 per GZT Share after taking into account the transaction costs for the Reorganisation). Despite this one time non-cash loss for the Group, the Board believes that Shareholders may benefit from the ability to directly participate in the future growth prospects of GZT by acquiring GZT Shares pursuant to the GZT Share Distribution and, where applicable, the Share Offer. Upon completion of the Reorganisation, the Company's distributable reserves would be decreased by approximately HK\$820 million and such reduction in distributable reserves would not materially affect the Company's existing distribution policy.

In terms of cash level, the Company will receive net cash proceeds (after the Cash Payments payable to the Qualifying Shareholders, who have elected or are deemed to have elected to receive the Cash Payments, and the Excluded Shareholders (in each case, if any) and subject to relevant expenses)



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## LETTER FROM THE BOARD

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in the amount of approximately HK\$1,631.2 million pursuant to the Share Offer (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date). As at 30 June 2009, the Group had an unaudited consolidated net debt (being total borrowings net of cash and cash equivalent) of approximately HK\$8,112.2 million representing net gearing (net debt divided by net asset value) of approximately 52.7%. Upon completion of the Reorganisation, the consolidated net debt of the Group would be decreased by approximately HK\$840 million and the net gearing would be increased by approximately 2.5%. Although there is no apparent change in the gearing of the Group, the Board believes that the Group will benefit from the greater flexibility and direct control over the additional cash to be received from the Share Offer.

### H. REASONS FOR THE REORGANISATION

China's economic resilience in light of the global financial crisis is a testament to the effectiveness of the government's stimulus package, its unique position in today's global economy and the increasing consumption power of its people. Considering the strong growth potentials of the PRC domestic property sector, the Group has been streamlining itself by disposing certain non-property related businesses for the past two years. Following such streamlining, the Group was able to take advantage of the quick recovery of the domestic economy, in particular the property sector, resulting from the quantitative easing credit policies implemented by the PRC government to combat the onslaught of the global economic meltdown and commit more resources to its property business and selectively increase its land bank in the first three quarters of 2009. For the period from 1 January 2009 to 18 October 2009, the Group's sale of GFA and revenue, including contract sale and preliminary sale (the formal sale contracts of which are expected to be entered into soon), amount to 476,178 square meters and approximately HK\$ 6.2 billion, respectively, which have already exceeded this year's target of 450,000 square meters and HK\$5 billion, representing increases of 44.8% and 54.8%, respectively, as compared to the sale of GFA and revenue (including contract sale and preliminary sale) for the period from 1 January 2008 to 18 October 2008.

The Group currently engages in the Property Business, and via GZT, also in the Transport Business. To enable the Company to more effectively capitalize on the robust growth of the PRC domestic property sector, the Company proposes to focus singly on the Property Business and streamline its current corporate structure. The management of the Company, including the Directors, believes that it would be beneficial for the Group to focus on the Property Business and for GZT to focus on the Transport Business. This would enable each of the respective companies to independently access capital as and when needed, which should facilitate more efficient financial management and funding allocation. At the same time, it would allow both management and shareholders to independently benchmark their performance against competition. The Directors believe that the Reorganisation and the proposed change of name will be a major milestone for the Company in its strategy to focus its financial and management resources on the Property Business.

Another objective of the Reorganisation is to streamline the administrative, accounting and corporate approval processes. In the past, due to the existing two tier ownership structure, certain projects undertaken by GZT were required to be approved by the respective boards of the Company and GZT and by their respective shareholders. The Reorganisation will eliminate these inefficiencies and streamline these processes.

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## LETTER FROM THE BOARD

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The Share Offer is intended to generate cash proceeds (after the Cash Payments payable to the Qualifying Shareholders who have elected or are deemed to have elected to receive the Cash Payments (if any) and subject to relevant expenses) of approximately HK\$1,631.2 million (assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the Record Date) to the coffer of the Company, which will be primarily used in acquisition of additional land bank and property development, and to offer to all Qualifying Shareholders an equal opportunity to participate in the future steady growth prospects of the infrastructure business through GZT at the same time. Yue Xiu is fully underwriting the Share Offer to minimize the potential volatility in GZT's share price during the Reorganisation and to reflect Yue Xiu's continued confidence in both the Company and GZT.

In determining the proportion of GZT Shares to be distributed pursuant to GZT Share Distribution and to be sold under the Share Offer, the Board has considered the following factors:

- (a) the funding requirement of the Group and the cash to be generated from the Reorganisation;
- (b) the prevailing market price of GZT Shares immediately before the announcement of the Company dated 20 October 2009 in relation to the Reorganisation; and
- (c) the flexibility provided to the existing Shareholders in their decision to purchase and retain a proportionate interest in GZT.

To effectively capitalize on the quick rebound and the long term growth prospect of the PRC domestic property market, the Company proposes to commit more resources to expand its scale of operation. The Company is expected to raise funds to finance its planned expansion of its land bank and property development projects. After taking into account various options available, the Directors consider that the proposed Reorganisation, including the GZT Share Distribution and the Share Offer, to be in the best interests of the Company and all Shareholders as a whole as it strikes a nice balance between the funding requirements of the Company required for the expansion and possible adverse dilution effects of a new issue or the servicing costs of new debt. Above all, the proposed Reorganisation treats all Shareholders equally and fairly. The Directors consider that the terms of the Reorganisation are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **I. LISTING RULE IMPLICATIONS**

The Share Offer constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Further, as Yue Xiu is the controlling shareholder (and, thus, a connected person) of the Company and Yue Xiu will take up its entitlement to the Offer Shares under the Share Offer pursuant to the Irrevocable Undertaking and may acquire any Offer Shares not taken up by the Qualifying Shareholders (other than Yue Xiu) pursuant to the Underwriting Agreement, the Share Offer also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Therefore, the Share Offer is subject to the relevant reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### J. GENERAL

#### THE EGM

The EGM will be convened for:

- (a) the Independent Shareholders to consider and, if thought fit, to approve the Share Offer, including the Underwriting Agreement and the transactions contemplated thereunder (Yue Xiu and its associates will abstain from voting for the Share Offer in the EGM); and
- (b) the Shareholders to consider and, if thought fit, to approve the change of name of the Company subject to the completion of the Reorganisation.

A notice of the EGM to be held at Harcourt Room, Lower Lobby, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Thursday, 26 November 2009 at 10 a.m. has been despatched to the Shareholders with the circular of the Company in respect of the change of name of the Company dated 3 November 2009. A supplementary notice of EGM is set out on pages V-1 to V-2 of this circular, at which an ordinary resolution will be proposed to approve, among other matters, the Share Offer, the Underwriting Agreement and the transactions contemplated thereunder.

A 2nd proxy form in respect of the newly proposed resolution for use at the EGM are enclosed with this circular. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed 2nd proxy form for the EGM in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the 2nd proxy form for the EGM will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire.

Any shareholder with a material interest in the proposed Share Offer and its associates will abstain from voting to approve the Share Offer at the EGM. Yue Xiu and its associates (together holding 3,346,735,248 Shares, which represent approximately 46.93% of the Company's issued share capital as at the Latest Practicable Date) are connected persons of the Company. They will abstain from voting at the EGM in respect of the ordinary resolution regarding the Share Offer in which they are respectively interested.

#### **Closure of register of members for the EGM**

Based on the expected timetable, the register of members of the Company will be closed from Monday, 23 November 2009 to Thursday, 26 November 2009 for the purpose of determining the eligibility of the Shareholders to the GZT Share Distribution and to participate in the Share Offer and to attend the EGM. No transfer of Shares will be registered during such book closure period. In order to qualify for the GZT Share Distribution, the Share Offer and the eligibility to attend the EGM, all transfers must be lodged with the Company's share registrar in Hong Kong, Tricor Abacus Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 20 November 2009 (Hong Kong time).

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## LETTER FROM THE BOARD

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### **Independent board committee and independent financial adviser to be established and appointed**

An independent board committee of the Company comprising the independent non-executive Directors only (namely, Mr. YU Lup Fat Joseph, Mr. LEE Ka Lun and Mr. LAU Hon Chuen Ambrose) has been formed to make recommendations to the Independent Shareholders in respect of the Share Offer (including the Underwriting Agreement).

Yu Ming has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders in respect of the Share Offer (including the Underwriting Agreement).

### **Offer Documents relating to the Share Offer**

The Offer Documents setting out details of the Share Offer will be despatched to the Qualifying Shareholders as soon as practicable after the EGM, subject to and conditional upon the Share Offer having been approved by the Independent Shareholders at the EGM.

### **Shareholders or Qualifying Shareholders holding Shares as a nominee, trustee or registered holder in any other capacity**

Any Qualifying Shareholder who holds the Shares as a nominee, trustee or registered holder in any other capacity will not be treated differently from any other registered holder. Any beneficial owner of the Shares whose Shares are registered in the name of a nominee, trustee or registered holder in any other capacity may wish to make arrangements with such nominee, trustee or registered holder in relation to the GZT Share Distribution and the Share Offer. Any such person may consider whether it wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to the Record Date.

### **Other information in relation to Excluded Shareholders**

The information in this circular has been prepared on the basis that all offers and distributions of GZT Shares will be made pursuant to an exemption under the Directive 2003/71/EC (“**Prospectus Directive**”), as implemented in Member States of the European Economic Area (“**EEA**”), from the requirement to produce a prospectus for offers of securities. Accordingly any person making or intending to make any offer or distribution within the EEA of GZT Shares should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such offer or distribution. The Company has not authorised, nor does it authorise the making of any offer or distribution of GZT Shares through any financial intermediary, other than offers and distributions made by the Company which constitute the final placement of GZT Shares contemplated in the information in this circular. Accordingly, the GZT Shares may not be, and will not be, offered or sold in the EEA by means of this circular, any accompanying letter or any other document, except to persons which are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive, including (a) legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year;

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## LETTER FROM THE BOARD

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(2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or otherwise; (c) to fewer than 100 natural or legal persons per EEA State (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive); or (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer or distribution of GZT Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive. In addition, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”) of the United Kingdom) received in connection with the issue or sale of the GZT Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company. This circular is being distributed only to, and is directed at: (a) persons to whom Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 applies or (b) persons to whom it may be lawfully communicated (together “**relevant persons**”). Any investment to which this circular relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this circular or any of its contents.

### **K. INFORMATION RELATING TO THE PARTIES INVOLVED IN THE REORGANISATION**

#### **Yue Xiu**

Yue Xiu is a limited liability company incorporated in Hong Kong. Yue Xiu is the principal investment vehicle of the Guangzhou Municipal People’s Government in Hong Kong. It is principally engaged in a wide range of businesses and industries, including property development and investment (through the Company); investment, operation and management of toll expressways, national highways and bridges (through GZT); manufacturing and selling of newsprint; cement and ready mixed concrete; dry cell battery manufacturing; financial as well as stock broking and insurance services.

#### **The Company**

The Company is a limited liability company incorporated in Hong Kong whose shares are listed on the Stock Exchange and the stock exchange operated by Singapore Exchange Securities Trading Limited. Currently, the Company is principally engaged in the businesses of (i) property development and investment in the PRC, including Hong Kong and (ii) investment, operation and management of toll expressways, national highways and bridges mainly located in the Guangdong Province (through GZT, a subsidiary of the Company whose shares are also listed on the Stock Exchange, see below). The Company also holds a 35.58% interest in GZI Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under Section 104 of the SFO. As at the Latest Practicable Date, the Company had an issued share capital of HK\$713,197,591.40 divided into 7,131,975,914 Shares. Of such Shares, 3,346,735,248 Shares, which represent approximately 46.93% of the Company’s issued share capital as at the Latest Practicable Date, are held indirectly by Yue Xiu through its wholly-owned subsidiaries.

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## LETTER FROM THE BOARD

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### GZT

GZT is a limited liability company incorporated in Bermuda whose shares are listed on the Stock Exchange. GZT is principally engaged in the investment, operation and management of toll expressways, national highways and bridges mainly located in the Guangdong Province. The shareholding structure of GZT as at the Latest Practicable Date has been set out above.

The financial information of GZT for the two years ended 31 December 2007 and 31 December 2008, as extracted from its 2008 annual report, is as follows:

	<b>For the year ended</b>	
	<b>31 December 2007</b>	<b>31 December 2008</b>
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
Net profits (before taxation and extraordinary items)	645,595	836,232
Net profits (after taxation and extraordinary items)	561,706	748,202

### L. RECOMMENDATION

Your attention is drawn to the letter from the independent board committee which is set out on pages 30 to 31 of this circular. The Directors and the independent board committee of the Company, having taken into account the advice of Yu Ming, consider that the terms of the Share Offer, the Underwriting Agreement and the transactions contemplated thereunder are fair and reasonable and the Share Offer is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors and the independent board committee of the Company recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Your attention is also drawn to the additional information set out in the Appendices to this circular.

### M. ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities mentioned herein nor is it calculated to invite an such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

### N. WARNING OF THE RISK OF DEALING IN SHARES

**Shareholders and potential investors of the Company should note that the GZT Share Distribution and the Share Offer are conditional upon the fulfilment of the Share Offer Conditions. Any Shareholder or other person dealing in Shares prior to the date on which such conditions are fulfilled, will accordingly bear the risk that the GZT Share Distribution and the Share Offer may not proceed.**

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## LETTER FROM THE BOARD

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Shareholders and potential investors of the Company should also note that the market price of the GZT Shares may fluctuate and may be higher or lower than the Offer Price under the Share Offer.

Shareholders and potential investors of the Company should, therefore, exercise extreme caution when dealing in the Shares. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

By order of the Board of  
**Guangzhou Investment Company Limited**  
**LU Zhifeng**  
*Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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越秀投資有限公司

**GUANGZHOU INVESTMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 123)**

10 November 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**MONETARIZATION OF INTEREST IN GZT RESULTING IN CASH  
PROCEEDS OF APPROXIMATELY HK\$1,631.2 MILLION THROUGH AN  
OFFER FOR SALE OF GZT SHARES BY THE COMPANY TO THE  
QUALIFYING SHAREHOLDERS UNDERWRITTEN BY YUE XIU**

**MAJOR AND CONNECTED TRANSACTION**

We refer to the circular dated 10 November 2009 (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the independent board committee of the Company to advise the Independent Shareholders in respect of the Share Offer (including the Underwriting Agreement), details of which are set out in the letter from the Board contained in the Circular. Yu Ming has been appointed to advise the Independent Shareholders and us in respect of the terms of the Share Offer (including the Underwriting Agreement). Details of Yu Ming’s advice and the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 32 to 50 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having taken into account the terms of the Share Offer, the Underwriting Agreement and transactions contemplated thereunder and the advice of Yu Ming, we are of the opinion that the terms of the Share Offer (including the Underwriting Agreement) are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned and in the interests of the



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Share Offer, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,  
Independent Board Committee of  
**Guangzhou Investment Company Limited**  
**YU Lup Fat Joseph**  
**LEE Ka Lun**  
**LAU Hon Chuen Ambrose**  
*Independent non-executive Directors*

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## LETTER FROM YU MING

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



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

10th November, 2009

*The Independent Board Committee  
and Independent Shareholders:*

Dear Sir or Madam,

### **SEPARATION OF NON-PROPERTY RELATED BUSINESS TO FOCUS ON PROPERTY BUSINESS**

### **DECLARATION OF A SPECIAL DIVIDEND BY THE COMPANY TO BE EFFECTED BY WAY OF DISTRIBUTION IN SPECIE OF GZT SHARES WITH A CASH ALTERNATIVE MONETARIZATION OF INTEREST IN GZT RESULTING IN CASH PROCEEDS OF APPROXIMATELY HK\$1,631.2 MILLION THROUGH AN OFFER FOR SALE OF GZT SHARES BY THE COMPANY TO THE QUALIFYING SHAREHOLDERS UNDERWRITTEN BY YUE XIU**

### **MAJOR AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

Reference is made to the proposed Reorganisation by Guangzhou Investment Company Limited (the “Company”), involving, inter alia, the GZT Share Distribution and the Share Offer, the Inter-Company Distribution and Transfer, details of which are set out in the circular of the Company dated 10th November, 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 the Circular.

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## LETTER FROM YU MING

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The Share Offer involves offering for not less than 543.7 million GZT Shares to all Qualifying Shareholders on a basis of not less than 152 Offer Shares for every 2,000 Shares held at the close of business on the Record Date. The Share Offer will be fully underwritten by Yue Xiu. The GZT Share Distribution involves distribution of approximately 214.0 million GZT Shares as special dividend conditional upon the fulfillment of the Share Offer Conditions and completion of the Inter-Company Distribution and Transfer. The Share Offer constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Further, as Yue Xiu is the controlling shareholder and, thus a connected person of the Company, Yue Xiu will take up its entitlement to the Offer Shares under the Share Offer pursuant to the Irrevocable Undertaking and may acquire all Offer Shares not taken up by the Qualifying Shareholders (other than Yue Xiu itself) pursuant to the Underwriting Agreement, the Share Offer also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Therefore the Share Offer is subject the relevant reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. An independent board committee of the Company (the "Independent Board Committee"), comprising all the independent non-executive Directors, namely, Mr. Yu Lup Fat, Joseph, Mr. Lee Ka Lun and Mr. Lau Hon Chuen, Ambrose, was established to make recommendation to the Independent Shareholders in respect of the Share Offer. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Share Offer, including the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Share Offer is 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.

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## LETTER FROM YU MING

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion as to the reasonableness and fairness of the Share Offer, including the Underwriting Agreement so far as the Independent Shareholders are concerned and whether the Share Offer, including the Underwriting Agreement are in the interest of the Company and its 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 Share Offer

The Company is principally engaged in the businesses of (i) property development and investment in the PRC, including Hong Kong; and (ii) investment, operation and management of toll expressways, national highways and bridges mainly located in the Guangdong Province through GZT. The Company also holds a 35.58% interest in GZI Real Estate Investment Trust, a Hong Kong collective investment scheme authorised under Section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

As set out in the section headed “Reasons for the Reorganisation” in the “Letter from the Board” of the Circular, considering the strong growth potentials of the PRC domestic property sector, the Group has been streamlining itself by disposing certain non-property related businesses for the past two years. Following such streamlining, the Group was able to take advantage of the quick recovery of the domestic economy, in particular the property sector, resulting from the quantitative easing credit policies implemented by the PRC government to combat the onslaught of the global economic meltdown and commit more resources to its property business and selectively increase its land bank in the first three quarters of 2009. As at 18th October, 2009, the Group’s sale of GFA and revenue, including contract sale and preliminary sale (the formal sale contracts of which are expected to be entered into soon), amount to 476,178 square meters and approximately HK\$6.2 billion, respectively, which have already exceeded this year’s target of 450,000 square meters and HK\$5 billion, representing increases of 44.8% and 54.8%, respectively, as compared to the sale of GFA and revenue (including contract sale and preliminary sale) for the period from 1st January, 2008 to 18th October, 2008.

To enable the Company to more effectively capitalize on the robust growth of the PRC domestic property sector, the Company proposes to focus singly on the Property Business and streamline its current corporate structure. The management of the Company, including the Directors, believes that it would be beneficial for the Group to focus on the Property Business and for GZT to focus on the Transport Business. This would enable each of the respective companies to independently access capital as and when needed, which should facilitate more efficient financial management and funding allocation. At the same time, it would allow both management and shareholders to independently benchmark their performance against competition. The Directors believe that the Reorganisation and the proposed change of name will be a major milestone for the Company in its strategy to focus its financial and management resources on the Property Business.

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## LETTER FROM YU MING

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Another objective of the Reorganisation is to streamline the administrative, accounting and corporate approval processes. In the past, due to the existing two tier ownership structure, certain projects undertaken by GZT required to be approved by the respective boards of the Company and GZT and by their respective shareholders. The Reorganisation will eliminate these inefficiencies and streamline these processes.

The Share Offer is intended to generate cash proceeds (after the Cash Payments payable to the Qualifying Shareholders who have elected or are deemed to have elected to receive the Cash Payments (if any) and subject to relevant expenses) of approximately HK\$1,631.2 million to the coffer of the Company, which will be primarily used in acquisition of additional land bank and property development, and to offer to all Qualifying Shareholders an equal opportunity to participate in the future steady growth prospects of the infrastructure business through GZT at the same time.

To effectively capitalize on the quick rebound and the long-term growth prospect of the PRC property market, the Company proposes to commit more resources to expand its scale of operation. The Company is expected to raise funds to finance its planned expansion of its land bank and property development projects.

### *View*

Having reviewed the Company's business structure and composition, we concur with the Board that the Share Offer as part the Reorganisation would enable the Company to implement in its strategy to focus its financial and management resources on the Property Business, streamline its current corporate structure, facilitate more efficient financial management and funding allocation, streamline the administrative, accounting and corporate approval processes and allow both management and the Shareholders to independently benchmark their performance against competition.

## **2. Terms of the Share Offer**

Conditional upon the fulfillment of the Share Offer Conditions and completion of the Inter-Company Distribution and Transfer, the Board declared GZT Share Distribution with a Cash Alternative, of which details has been set out in the "Letter from the Board".

Pursuant to the Share Offer, which is conditional upon (i) Independent Shareholders' approval, (ii) the Underwriting Agreement having become unconditional and Yue Xiu not having terminated the Underwriting Agreement, the Company will offer the GZT Shares for sale on the following basis subject to adjustment if there are any Undistributed GZT Shares resulting from, among other things, the election of the Cash Alternative by the Qualifying Shareholders under the GZT Share Distribution.

On the basis that Yue Xiu will accept all the GZT Shares proposed to be distributed to it under the GZT Share Distribution pursuant to the irrevocable undertaking from Yue Xiu, and assuming all other Shareholders elect to receive the Cash Alternative in lieu of receiving the GZT Shares, a maximum of 113.6 million Undistributed GZT Shares will be offered for sale by the Company under the Share Offer.

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## LETTER FROM YU MING

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Assuming that there were no Undistributed GZT Shares under the GZT Share Distribution, the total number of Offer Shares the Company will make an offer for the sale of not less than 543.7 million GZT Shares, representing approximately 32.5% of the issued share capital of GZT as at the Latest Practicable Date, which will be offered to the Qualifying Shareholders in the proportion of 152 Offer Shares for every 2,000 Shares held at the close of business on the Record Date and at the Offer Price.

Assuming all the Qualifying Shareholders elect to receive the Cash Alternative in lieu of GZT Shares, the total number of Offer Shares subject to the Share Offer would be approximately 657.3 million GZT Shares, representing approximately 39.3% of the issued share capital of GZT as at the Latest Practicable Date, which will be offered to the Qualifying Shareholders in the proportion of 184 Offer Shares for every 2,000 Shares held at the close of business on the Record Date and at the Offer Price.

### 3. The Offer Price

The Offer Price is HK\$3.00 per Offer Share, payable in cash in full on application. The Offer Price represents:

- (i) a discount of approximately 3.23% to the closing price of HK\$3.10 per GZT Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 2.04% over the average closing prices of HK\$2.94 per GZT Share for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 3.09% over the average closing price of HK\$2.91 per GZT Share for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 3.09% over the average closing price of HK\$2.91 per GZT Share for the last thirty consecutive trading days up to and including the Last Trading Day; and
- (v) a discount of approximately 40.48% to the unaudited consolidated net assets value of HK\$5.04 per GZT Share as at 30th June, 2009, being the date of which the latest unaudited consolidated financial statements of GZT were made up.

#### a. *Performance of the GZT Shares in the past 12 months*

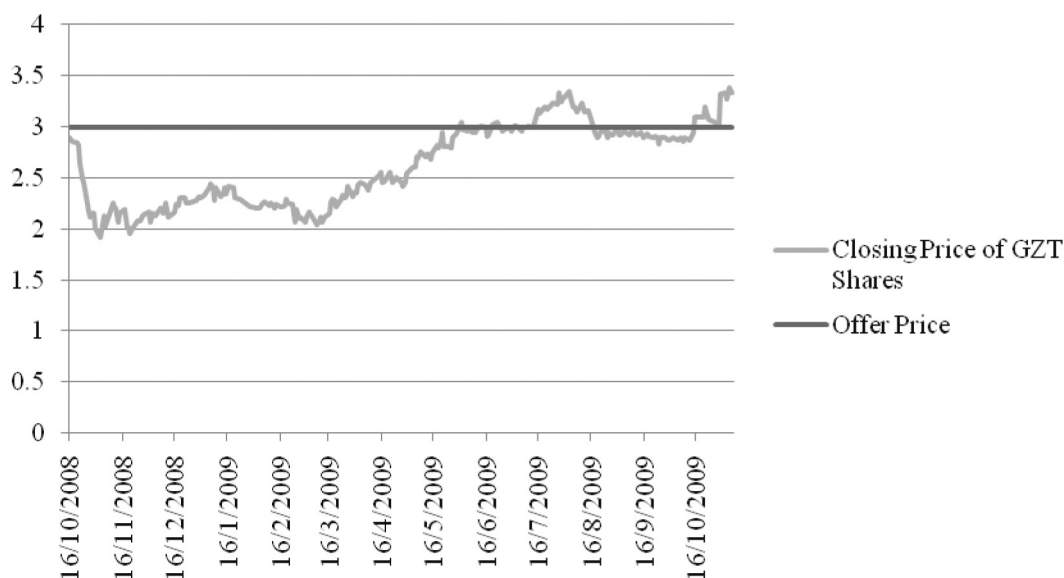
We have compared the Offer Price to historical market prices of the GZT Shares over the 12-month period prior to the Latest Practicable Date. The following chart depicts the daily closing prices of the GZT Shares as quoted on the Stock Exchange from 16th October, 2008 up to and including the Latest Practicable Date (“Review Period”).

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## LETTER FROM YU MING

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As shown in Chart-1 below, the closing price of GZT Shares fell from HK\$2.89 on 16th October, 2008 to HK\$1.92 on 3rd November, 2008 after the bursting of the global financial crisis in late 2008. However, the price of GZT Shares has improved gradually and reached the peak before the announcement of the Reorganisation (the “Announcement”) at HK\$3.34 on 3rd August, 2009 along with the revival of the global stock market during the second and third quarters of 2009.



Source: website of the Stock Exchange

During the Review Period, the highest and lowest closing price of GZT Shares as quoted on the Stock Exchange were HK\$1.92 on 3rd November, 2008 and the highest closing prices of GZT Shares were HK\$3.34 on 3rd August, 2009 before the Announcement and HK\$3.38 on 4th November, 2009 after the Announcement. Average closing price of GZT Shares during the Review Period was HK\$2.63. The Offer Price represents a premium of 14.07% over the average closing price during the Review Period. Nonetheless, Independent Shareholders should note that the premium of the Offer Price over the average closing price of the Shares during the Review Period may or may not reflect the real financial position of the Company but market sentiment towards the GZT Shares along with investors' anticipation of overall performance of the capital market with reference to the financial crisis in the late 2008. Trading in GZT Shares was suspended between 16th October, 2009 and 20th October, 2009 pending the release of the Announcement. Subsequent to the resumption of trading of GZT Shares on 21st October, 2009, the GZT Share price closed at HK\$3.2. The GZT Shares recorded an average closing price of HK\$3.21 during the period from 21st October, 2009 to the Latest Practicable Date, which reflects mainly market perception of the Reorganisation.

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**LETTER FROM YU MING**

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b. *Trading liquidity analysis*

We have reviewed the trading volume and average daily trading volume per month and the respective percentages of the average daily trading volume compared with the average number of total issued GZT Shares and the average number of GZT Shares held by the public during the Review Period:

**Table-A**

	<b>Total monthly trading volume (million shares)</b>	<b>Average daily trading volume (million shares)</b>	<b>Number of trading days of the respective moment during the Review Period</b>	<b>% of average daily trading volume to monthly average total issued Shares (Note 1)</b>	<b>% of average daily trading volume to monthly average public float (Note 2)</b>
<b>2008</b>					
October	9.27	0.44	21	0.03%	0.09%
November	3.81	0.19	20	0.01%	0.04%
December	4.60	0.22	21	0.01%	0.04%
<b>2009</b>					
January	5.50	0.31	18	0.02%	0.06%
February	6.44	0.32	20	0.02%	0.07%
March	17.49	0.79	22	0.05%	0.16%
April	14.74	0.74	20	0.04%	0.15%
May	15.86	0.83	19	0.05%	0.17%
June	14.95	0.68	22	0.04%	0.14%
July	10.16	0.46	22	0.03%	0.09%
August	32.21	1.53	21	0.09%	0.31%
September	13.05	0.59	22	0.04%	0.12%
October (Note 3)	24.74	1.46	17	0.09%	0.29%
November (up to the Latest Practicable Date)	13.68	2.74	5	0.16%	0.55%
<b>Average</b>	13.32	0.81	19	0.05%	0.16%

Source: website of the Stock Exchange



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## LETTER FROM YU MING

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*Notes:*

1. Calculated based on the average of the number of issued GZT Shares in each month during the Review Period.
2. Calculated based on the average of the number of GZT Shares held by public in each month during the Review Period.
3. Trading in the GZT Shares was suspended during the period from 16th October, 2009 and 20th October, 2009 pending the release of the Announcement.

The average daily trading volume of the GZT Shares as a percentage of the average total issued GZT Shares ranged from 0.01% to 0.16% while the average daily trading volume of the GZT Shares as a percentage of the average total number of GZT Shares held by the public ranged from 0.04% to 0.55%, indicating a low liquidity of the GZT Shares during the Review Period. Trading in the GZT Shares was suspended between 16th October, 2009 and 20th October, 2009 pending the release of the Announcement. During the period subsequent to the resumption of trading on 21st October, 2009 up to the Latest Practicable Date, there was an increase in the average daily trading volume to 2,532,601 GZT Shares, representing approximately 0.15% and 0.51% of the total number of GZT Shares issued and held in public hands as at the Latest Practicable Date. In view of the low trading volume of the GZT Shares, we believe that Shareholders (especially those who will be entitled sizeable GZT Shares under the Share Offer) may find it difficult to acquire sufficient amount of GZT Shares in the open market and if possible, without exerting upward pressure on the price of the GZT Shares.

*c. Trading multiple analysis*

We have also conducted trading multiples analysis which includes price-to-book ratio (“PBR”) and price-to-earnings ratio (“PER”) based on the Offer Price of HK\$3.00 per GZT Share as compared with relevant PER and PBR of relevant companies in the same sector. We make use of these two ratios as principal variables since they are commonly used references in valuing toll road operation and management companies.

Market peers selected includes companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange which engage in similar lines of business with GZT, that is, operation and management of toll highways, expressways and bridges in the PRC. As far as we are aware of, there are seven comparable companies for GZT.

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**LETTER FROM YU MING**

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Table-B below sets out the PBR and PER of the market peers of GZT based on the closing price on the Latest Practicable Date of the respective shares as quoted on the Stock Exchange.

**Table-B**

<b>Company name</b>	<b>Stock code</b>	<b>Principal business</b>	<b>PER (Note 1)</b>	<b>PBR (Note 2)</b>
Road King Infrastructure Ltd.	1098	Investment in, development, operation and management of toll roads and expressways and operating property development business	7.38	0.51
Shenzhen Expressway Co. Ltd — H Shares	548	Investment, construction and operation management of toll highways and roads in the PRC	14.19	1.01
Sichuan Expressway Co. Ltd. — H Shares	107	Investment, construction, management and operation of the Chengyu Expressway and Chengya Expressway	14.19	1.33
Anhui Expressway Co. Ltd. — H Shares	995	Operation and management of the toll roads and related businesses in the Anhui Province, the PRC	10.54	1.38
Hopewell Highway Infrastructure Ltd.	737	Initiate, promote, develop and operate strategically important roads, tunnels, bridges and related infrastructure projects in the PRC	13.02	1.65
Zhejiang Expressway Co. Ltd. — H Shares	576	Design, construction, operation, maintenance and management of high grade roads, development and provision of certain ancillary services, provision of securities broking services and proprietary trading	14.13	1.95

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## LETTER FROM YU MING

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Company name	Stock code	Principal business	PER <i>(Note 1)</i>	PBR <i>(Note 2)</i>
Jiangsu Expressway Co. Ltd. — H Shares	177	Investment, construction, operation and management of toll roads in PRC, and provision of passenger transport services and other supporting services along the toll roads	19.41	2.14
<b>Lowest</b>			<b>7.38</b>	<b>0.51</b>
<b>Highest</b>			<b>19.41</b>	<b>2.14</b>
<b>Average</b>			<b>13.27</b>	<b>1.42</b>
GZI Transport Ltd.	1052	Investment in and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, the PRC.	8.26 <i>(Note 3)</i>	0.59 <i>(Note 4)</i>

*Source: Bloomberg.*

*Notes:*

1. PER of selected market peers are calculated based on the closing price quoted on the Stock Exchange as at the Latest Practicable Date and the basic earnings per share as mentioned in the latest annual results of relevant companies.
2. PBR of selected market peers are calculated based on the closing price quoted on the Stock Exchange as at the Latest Practicable Date and the net asset value per share as mentioned in the latest financial statements of relevant companies.
3. The PER of GZT is calculated based on the offer price of HK\$3.00 per GZT Share and net profit of GZT for the financial year ended 31st December, 2008.
4. The PBR of GZT is calculated based on the offer price of HK\$3.00 per GZT Share and the net asset value of GZT as at 30th June, 2009.

The average PER of the market peers is approximately 13.27 times, ranging from 7.38 times to 19.41 times. The PER of GZT Shares based on the Offer Price of HK\$3.00 per GZT Share is 8.26 times, which lies within the range of the market comparables and is lower than the market average of 13.27 times.

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## LETTER FROM YU MING

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The average PBR of the market peers is approximately 1.42 times, ranging from 0.51 times to 2.14 times. PBR of GZT Shares based on the Offer Price of HK\$3.00 per GZT Share is 0.59 times, which is within the range and below the market average of 1.42 times.

Albeit the trading multiples, both the PER and PBR, of the GZT Shares based on the Offer Price is within the range and below the market average trading multiples from information we obtained above, there are different trading and operating dynamics within each of the above comparable companies and there are still much differences in the properties and assets held by each of them including different locations of toll roads and assets and different revenue combinations however they might be close to that of GZT. As such, the figures listed above do not necessarily indicate the GZT Shares are undervalued, but only serve as a reference for the Independent Shareholders.

**d. Offer Price with reference to NAV and Appraised Value per GZT Share**

The Offer price also represents a discount of approximately 40.48% to the unaudited consolidated net assets value (“NAV”) of HK\$5.04 per GZT Share as at 30th June, 2009, being the date of which the latest unaudited consolidated financial statements of GZT were made up.

Having looked at corporate transactions undertaken by Hong Kong listed companies in the past 5 years, we could not identify any transaction comparable to the Share Offer. Instead, given the Share Offer is an offer for sale of GZT Shares to the existing Shareholders of the Company, we consider rights issues and open offers the next closest proximity. Table-C below shows the rights issue offers including rights issue prices as a discount or premium to net asset value of relevant companies in the past 6-month period obtained from available information on the website of the Stock Exchange for the Main Board listed issuers.

**Table-C**

Company name	Stock code	Announcement date	Premium/ (discount) to latest NAV prior to the announcement	Underwriting Fee in terms of % of gross proceeds	Underwritten by major shareholder
Champion Technology Holdings Limited	92	17-Apr-09	-95.60%	2.50%	Y
PYI Corporation Limited	498	30-Apr-09	-94.96%	3.00%	N
Easyknit Enterprises Holdings Limited	616	25-Aug-09	-92.20%	1.00%	N
Capital Strategic Investment Limited	497	26-May-09	-84.65%	2.00%	N
Pacific Andes International Holdings Limited	1174	22-May-09	-79.73%	N/A	Y

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**LETTER FROM YU MING**

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Company name	Stock code	Announcement date	Premium/ (discount) to latest NAV prior to the announcement	Underwriting Fee in terms of % of gross proceeds	Underwritten by major shareholder
China Resources Microelectronics Limited	597	26-Jun-09	-70.60%	N/A	Y
New World China Land Limited	917	9-Oct-09	-67.92%	2.25%	N
First Pacific Company Limited	142	15-Oct-09	-62.84%	N/A	N
Zhongda International Holdings Limited	909	7-May-09	-58.94%	2.50%	N
United Pacific Industries Limited	176	26-Jun-09	-51.61%	4.00%	Y
Imagi International Holdings Limited	585	27-May-09	-41.86%	3.50%	N
Minmetals Land Limited	230	18-May-09	-33.33%	N/A	Y
TCL Communication Technology Holdings Limited	2618	3-Nov-09	-25.37%	N/A	Y
Forefront Group Limited	885	12-Aug-09	3.70%	2.50%	N
China Solar Energy Holdings Limited	155	9-Jun-09	14.29%	1.50%	N
Goldin Financial Holdings Limited	530	23-Sep-09	57.35%	2.50%	Y
China Resources Power Holdings Company Limited	836	4-Jun-09	116.72%	N/A	Y
China State Construction International Holdings Limited	3311	16-Jul-09	170.90%	2.50%	Y
21 Holdings Limited	1003	12-Oct-09	N/A	2.00%	N
<b>Highest discount</b>			<b>-95.60%</b>		
<b>Highest premium</b>			<b>170.90%</b>		
<b>Average discount</b>			<b>-27.59%</b>		

Based on the highest discount of approximately 95.6%, the highest premium of approximately 170.90% and an average discount of 27.59% of rights issue prices to the net asset value of relevant companies, we consider the 40.48% discount of the Offer Price to the net asset value per GZT Share as at 30th June, 2009 is within the market range and practice for offers to existing shareholders.

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## LETTER FROM YU MING

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Pursuant to the valuation report as set out in Appendix I of the Circular, the appraised value of GZT as at 30th September, 2009 is HK\$8,947,000,000, which represents an appraised value of approximately HK\$5.35 per GZT Share (“Appraised Value”). Based on the unaudited interim accounts of the GZT as at 30th June, 2009, GZT’s NAV was approximately HK\$8,437.4 million and HK\$5.04 per GZT Share. The Appraised Value represents a premium of approximately 6.04% over GZT’s NAV as at 30th June, 2009. We noted that the Offer Price also represents a discount of approximately 43.9% to the Appraised Value per GZT Share. As the Appraised Value was a reflection of fair value of GZT as at the valuation date and with reference to the discount of the Offer Price to the NAV per GZT Share within the market practice as illustrated above, we consider the discount of the Offer Price to the Appraised Value of 43.9% acceptable.

### *View*

We are of the view that the Offer Price is fair and reasonable based on the following reasons:

- (i) the Offer Price of HK\$3.00 per GZT Share represented a discount of 3.23% to the closing price of HK\$3.10 of GZT Shares as quoted on the Stock Exchange on the Last Trading Day although it represents a premium of 14.07% over the average closing price during the Review Period. Such premium was in our view largely affected by the overall global market condition and may not reflect the current sentiment of the stock market in Hong Kong and particulars of GZT;
- (ii) the trading volume of GZT Shares during the Review Period is substantially low and continued to be low up to the Latest Practicable Date although slightly improved, which had not allowed the investors to purchase sufficient amount of GZT Shares in the open market at the Offer Price;
- (iii) the PBR and PER of GZT Shares calculated based on the Offer Price lies within and close to the lower range of the average ratios of the selected market peers;
- (iv) the Offer Price represents a discount to Appraised Value of approximately 43.9% per GZT Share and the Appraised Value is at a premium of approximately 6.04% over the NAV per GZT Share; and
- (v) the Offer Price represents a discount to NAV of approximately 40.48% per GZT Share is within the market range albeit it is higher than the market average discount to NAV of comparable transactions listed in Table-C above.

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## LETTER FROM YU MING

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#### 4. The GZT Share Distribution with a Cash Alternative

As part of the Reorganisation and prior to the Share Offer, the Board conditionally declared a special dividend of HK\$642 million by way of distribution in specie of GZT Shares with a Cash Alternative to the Qualifying Shareholders whose names appear on the register of members at the close of business on the Record Date. Details of the GZT Share Distribution are set out in the “Letter from the Board” in the Circular.

The number of GZT Shares distributable pursuant to the GZT Share Distribution will be approximately 214.0 million GZT Shares, which represent approximately 12.8% of GZT’s issued share capital as at the Latest Practicable Date. Such GZT Shares will be distributed based on the share price of HK\$3.00 per GZT Share.

Pursuant to the GZT Share Distribution, the Company will distribute GZT Shares to the Qualifying Shareholders on the basis of 60 GZT Shares for every 2,000 Shares held at the close of business on the Record Date. Any Qualifying Shareholder not holding a multiple of 2,000 Shares will be entitled to receive GZT Shares on a pro-rata basis provided that the entitlement of such Shareholder will be rounded down to the nearest whole number of GZT Shares (that is, no fractional GZT Share will be distributable). The GZT Share Distribution is conditional upon the fulfilment of the Share Offer Conditions and completion of the Inter-Company Distribution and Transfer, and is intended to be carried out at about the same time with the Share Offer.

To allow each of the Qualifying Shareholders (other than Yue Xiu) to have a choice as to whether to receive all of the GZT Shares to which he/she/it is entitled pursuant to the GZT Share Distribution or to receive a Cash Payment as an alternative, it is proposed that each of them will be given a Cash Alternative. Each such Qualifying Shareholder may only choose to receive the Cash Alternative in respect of the whole of (but not part) (save in the case of HKSCC Nominees Limited, which may exercise the Cash Alternative in respect of the whole or part of) his/her/its GZT Shares proposed to be distributed to him/her/it pursuant to the GZT Share Distribution in consideration of a Cash Payment.

For illustration purpose, if a Qualifying Shareholder holds 2,000 Shares, he/she/it will be entitled to elect to receive: (1) 60 GZT Shares; or (2) HK\$180 if Qualifying Shareholders elect to receive Cash Alternative pursuant to the GZT Share Distribution.

#### *View*

The GZT Share Distribution is conditional upon the fulfilment of the Share Offer Conditions and completion of the Inter-Company Distribution and Transfer. We consider the GZT Share Distribution with the Cash Alternative an incentive to the Independent Shareholders in addition to the Share Offer, without it completing, the Independent Shareholders would not be able to receive the 60 GZT Shares or the Cash Alternative of HK\$180 per board lot. In addition, with the Cash Alternative under the GZT Share Distribution, Qualifying Shareholders are also offered with flexibility to either participate in the future of GZT by receiving the GZT Shares or otherwise to receive the Cash Payment.

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## LETTER FROM YU MING

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### 5. Treatment of Excluded Shareholders

Excluded Shareholders whose registered address and correspondence address on the register of members of the Company is in a place outside Hong Kong at the close of business on the Record Date are not available to the GZT Share Distribution and not eligible to take part in the Share Offer. The Board has made enquiries with its lawyers that the offer for sale of the Offer Shares or the Cash Alternative to Excluded Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. As such, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders.

The GZT Shares which such Excluded Shareholders would otherwise have been entitled to receive will be allocated to the Share Offer for offer to the Qualifying Shareholders in the manner described in the section headed “Share Offer” in the “Letter from the Board” of this Circular. It is expected that the Undistributed GZT Shares which are otherwise entitled by the Excluded Shareholders will be taken up by Yue Xiu as the underwriter to the Share Offer. The proceeds from the sale of such GZT Shares will be used to fund Cash Payments to the Excluded Shareholders on the basis of the number of GZT Shares which the relevant Excluded Shareholders would otherwise have been entitled to receive under the GZT Share Distribution.

#### *View*

We consider the arrangement above for the Excluded Shareholders enables relevant Excluded Shareholders to receive the Cash payment as they would be entitled to receive under the GZT Distribution to be the best alternative for them as compared to not being able to receive the benefits of the Reorganisation as the Qualifying Shareholders.

### 6. Financial Effects of the Share Offer

In order to illustrate the financial effect of the Reorganisation to the Group, the figures set out in this section have been calculated based on the unaudited consolidated financial results of the Company for the six months ended 30th June, 2009. The actual financial effect of the Reorganisation can only be determined upon completion of the Reorganisation by reference to the actual financial figures of the Company at that time and the market price of GZT Shares at that time.

Upon completion of the Reorganisation, the Company would no longer consolidate the financials of GZT into its balance sheet and profit and loss account. As at 30th June, 2009, the share of net asset value of the Group’s interest in GZT was approximately HK\$3,821 million, representing approximately 25.0% of the Group’s unaudited consolidated net asset value as at the same day in the amount of approximately HK\$15,382.0 million. This interest in GZT had contributed to the Group’s consolidated profit attributable to shareholders of HK\$79.8 million, for the six months ended 30th June, 2009, and HK\$275.1 million, for the year ended 31st December, 2008 (representing approximately 11.7% and 45.2%, respectively, of the Group’s consolidated profit attributable to shareholders for the same period).



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## LETTER FROM YU MING

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a. *Earnings*

It is also expected that the Group may incur a one-time non-cash accounting loss of approximately HK\$1,578.2 million as a result of the Reorganisation after taking into account relevant transaction costs and loss due to the difference between the Group's share of net assets value of GZT as at 30th June, 2009 of approximately HK\$3,821 million and the market value of those shares by reference to Offer Price of HK\$3.00 per GZT Share for both the GZT Share Distribution and the Share Offer. Given that the Company's property business accounted for approximately 88% of the unaudited consolidated financial results of the Group for the six months ended 30th June, 2009 and that the Company may be able to generate enhanced return by investing the cash derived from the Share Offer in the real estate sector, we concur with the view of the Board that there should not be any material impact to the long-term earnings of the Group following the completion of the Reorganisation.

b. *Net asset value*

The key balance sheet impact of the Reorganisation will be a reduction in the Group's consolidated net asset value by approximately 14.4% as compared to the Group's unaudited consolidated net asset value as at 30th June, 2009. Given that the reduction in the Group's consolidated net asset value would be more of accounting treatment instead of actual loss in net asset value, we concur with the view of the Board that such reduction in net asset value will not have any material adverse impact on the Group's financials and operations.

c. *Gearing*

As at 30th June, 2009, the Group had an unaudited consolidated net debt (being total borrowings net of cash and cash equivalent) of approximately HK\$8,112.2 million representing net gearing (net debt divided by net asset value) of 52.7%. Upon completion of the Reorganisation, the consolidated net debt of the Group would be decreased by approximately HK\$840 million and the net gearing would be increased by 2.5%. We are of the opinion that the change in the gearing of the Group insignificant.

d. *Working Capital*

The Share Offer will provide the Company with cash proceeds, subject to relevant expenses, of approximately HK\$1,631.2 million, which is under its full control. Although the Group had cash and cash equivalents of approximately HK\$4,123 million as at 30th June, 2009, approximately HK\$2,276 million of which belonged to GZT (and GZT's subsidiaries) which cannot be deployed by the Company for property development purposes. It is the present intention of the Directors to use all the anticipated cash proceeds to be received by the Company for acquisition and development of real estate projects in the PRC and working capital purposes. We concur with the Board that the Group will benefit from the greater flexibility and direct control over the additional cash to be received from the Share Offer.

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## LETTER FROM YU MING

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e. *Dividend distribution*

Pursuant to the annual reports of the Company for the past three years ended 31st December, 2008, 2007 and 2006, dividend declared by the Company were approximately HK\$242.3 million, HK\$341.7 million and HK\$284.6 million respectively. Average dividend declared for the past three years amounts to approximately HK\$289.6 million. With reference to the distributable reserves of the Company of approximately HK\$2,501 million as stated in the 2008 annual report of the Company and the reduction of the Company's distributable reserves of approximately HK\$820 million as a result of the Reorganisation, we concur with the Board's view that such a reduction in distributable reserves would not materially affect the Company's existing distribution policy.

*View*

Earnings and net asset value of the Group would be reduced, the gearing ratio of the Company would be slightly increased, whilst working capital available to the Group, with reference to the amount of working capital attributable to GZT not available for use by the Company prior to the Reorganization, will be improved as a result of the Reorganisation. However, save for the GZT Share Distribution which is to the benefit of the Qualifying Shareholders, we consider the effective equity interest of the existing Shareholders of the Company are indifferent prior and post to the Reorganisation, which serves to separate the assets attributable to GZT from being held by the Company on behalf of its existing Shareholders and to distribute GZT assets to be effectively held by each of the existing Shareholders directly. Hence in the perspective of existing Shareholders, the above financial effects due to Reorganisation are more of accounting treatment instead of loss or reduction in net asset value of assets effectively held by the existing Shareholders. In addition, the remaining distributable reserve of the Company after the Reorganisation will not affect the dividend distribution policy of the Company as analysed above. As such, we concur with the view of the Board that GZT Share Distribution and the Share Offer, to be in the interests of the Company and all Shareholders as a whole as it strikes a balance between the funding requirements of the Company required for the expansion and possible adverse dilution effects of a new issue or the servicing costs of new debt, the proposed Reorganisation treats all Shareholders equally and fairly and it allows all Qualifying Shareholders an equal opportunity to participate in the future steady growth prospects of the Company and the infrastructure business through GZT at the same time.

7. **Connected transactions between the Company and Yue Xiu due to the Share Offer and the Underwriting Agreement**

a. *Share Offer and the GZT Share Distribution*

Pursuant to the Reorganisation, Yue Xiu as the controlling Shareholder will receive pro-rata entitlement under the Share Offer and the GZT Share Distribution save for the Underwriting Agreement entered into between the Company and Yue Xiu.

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## LETTER FROM YU MING

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### b. *Underwriting Agreement*

On 20th October, 2009, the Company and Yue Xiu entered into the Underwriting Agreement, pursuant to which Yue Xiu has conditionally agreed to underwrite the Offer Shares, including any Undistributed GZT Shares (if applicable) and unsold Offer Shares resulting from the rounding arrangement (if applicable) and any Offer Shares not taken up by the Qualifying Shareholders (other than Yue Xiu) at HK\$3.00 per Offer Share on a fully underwritten basis, being not more than approximately 349.4 million Offer Shares subject to the terms and conditions of the Underwriting Agreement.

The ordinary course of business of Yue Xiu does not include underwriting. Under the Underwriting Agreement, no commission will be payable to Yue Xiu, but the Company will reimburse Yue Xiu for all reasonable costs and expenses incurred in connection with the underwriting under the Underwriting Agreement. The Underwriting Agreement also contains customary warranties, representations and indemnities provisions provided by GZT in favour of Yue Xiu.

The Underwriting Agreement is also conditional upon the conditions stated in the section headed “Conditions precedent to the Underwriting Agreement” in the “Letter from the Board” of this Circular.

Details of the termination clauses as set out in the section headed “Termination of the Underwriting Agreement” in the “Letter from the Board” also contains customary termination clauses such as the underwriting can be determined by Yue Xiu due to events or matters which in the reasonable opinion of Yue Xiu, is or are likely to have a material adverse effect on the business or financial or trading position or prospects of GZT and/or its subsidiaries.

Again, rights issue transactions was considered to be the closest proximity to the Share Offer. Table-C under the paragraph headed “d. Offer Price with reference to NAV and Appraised Value per GZT Share” in this letter includes information on underwriting fees charged for relevant rights issues by the third party underwriters and by the controlling shareholders or relative controlling shareholders as the underwriters. Rights issue commissions charged to relevant companies in transactions underwritten by the relative controlling shareholders ranges from nil to 4% and by the third parties ranges from nil to 3.5% of the gross amount of proceeds to be raised.

### *View*

With reference to (i) the commission charged by relevant third party underwriters and the controlling or relative controlling shareholders as analysed in Table-C exceeding the disbursement of cost to be incurred by Yue Xiu as the underwriter to the Share Offer; (ii) the underwriting obligation by Yue Xiu would arise only under the situation that the Qualifying Shareholders do not take up their entitlement of GZT Shares under the Share Offer or elect for receiving the Cash Alternative under the GZT Share Distribution; and (iii) the pro-rata entitlement that Yue Xiu can receive from the GZT Share Distribution and the Share Offer, we are of the view that the terms and conditions of the Share Offer and the Underwriting Agreement as connected transactions are entered into between the Company and Yue Xiu on normal commercial terms and are fair and reasonable in so far as the Independent Shareholders are concerned. We also concur with the Board that Yue Xiu is fully underwriting the Share Offer to minimize the potential volatility in GZT’s share price during the Reorganisation and it reflects Yue Xiu’s continued confidence in both the Company and GZT.

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## LETTER FROM YU MING

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### RECOMMENDATION

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

1. the reasons for and background of the Share Offer;
2. the terms of the Share Offer;
3. the Offer Price;
4. the GZT Share Distribution with the Cash Alternative;
5. financial effects of the Share Offer;
6. treatment of the Excluded Shareholders; and
7. connected transactions between the Company and Yue Xiu due to the Share Offer and the Underwriting Agreement;

we are of the opinion that the terms and conditions of the Share Offer, with the additional benefit from the GZT Share Distribution, and the Underwriting Agreement entered into by Yue Xiu and the Company not within ordinary course of business of the Company but on normal commercial terms are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Board Committee and the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM approving the Share Offer.

Shareholders should be reminded of the possibility that the GZT Share price in the open market may be higher or lower than the Offer Price during the period of the Share Offer. Shareholders who intend to accept the Share Offer should closely monitor the market price and the liquidity of the GZT Shares. Shareholders should also note that the GZT Share price has been traded mostly above the Offer Price after the date of Announcement and up to the Latest Practicable Date. If the market price after deducting the transaction cost prior to the close of the Share Offer is above the Offer Price, Shareholders should accept the Share Offer thereby enjoy the benefit of subscribing the GZT Shares at discount to market price. Should the market price fall below the Offer Price, Shareholders should consider not to accept the Offer and purchase GZT Shares at market price if they so wish. Considering the liquidity of the GZT Shares, Shareholders who would otherwise not be able to purchase sufficient amount of GZT Shares in the market as they would otherwise be entitled to receive under the Share Offer, they should accept the Share Offer and subscribe the GZT Shares at the Offer Price.

Yours faithfully,  
For and on behalf of  
**YU MING INVESTMENT MANAGEMENT LIMITED**  
**Warren Lee**  
*Director*

**GREATER CHINA APPRAISAL LIMITED**  
漢華評值有限公司

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

10 November 2009

Directors  
Guangzhou Investment Company Limited  
26th 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 the 100% equity interest of GZI Transport Limited (“GZT”), which is principally engaged in the operation of twelve toll expressways, national highways and bridges projects (collectively referred as the “Tollroad Projects”), held by GZT and its subsidiaries, associates and joint ventures as at 30 September 2009 (the “Valuation Date”).

It is our understanding that our analysis will be used as a reference for your reorganisation purpose, details of which are set out in the circular dated 10 November 2009 issued by Guangzhou Investment Company Limited to the Shareholders (the “Circular”), 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 Circular. 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's principal business includes development, operation and management of various toll expressways, national highways and bridges projects in the People's Republic of China (the "PRC"), mainly located in Guangdong Province. The Tollroad Projects are the main income sources of GZT and hence the major cash flow of GZT. The following table lists out the details of the Tollroad Projects that are limited to this valuation:

Tollroad Projects	Road Type	Length (km)	Width (lanes)	Toll Station(s)	Attributable Interest (%)	Remaining Operating Term (years)
<b>Operating Projects</b>						
Northern Ring Road <sup>(b)</sup>	Expressway	22.0	6	11	24.30	14
GNSR Expressway <sup>(a)</sup>	Expressway	42.4	6	9	60.00	23
Xian Expressway <sup>(a)</sup>	Expressway	20.1	4	3	100.00	7
Humen Bridge <sup>(b)</sup>	Suspension Bridge	15.8	6	4	27.78	20
Shantou Bay Bridge <sup>(b)</sup>	Suspension Bridge	6.5	6	1	30.00	19
GWSR Expressway <sup>(b)</sup>	Expressway	39.6	6	5	35.00	Subject to approval
Cangyu Expressway <sup>(a)</sup>	Expressway	23.3	4	1	90.00	21
Guangshen Highway <sup>(a)</sup>	Class I Highway	23.1	6	1	80.00	17
Guangshan Highway <sup>(a)</sup>	Class I Highway	64.0	4	2	80.00	17
Guangcong Highway Section II & Provincial Highway 355 <sup>(a)</sup>	Class I Highway	33.1	6	1	51.00	17
	Class I Highway	33.3	4	1	51.00	17
Guanghua Highway <sup>(a)</sup>	Class I Highway	20.0	6	1	55.00	18
<b>Project Under Reconstruction</b>						
Qinglian Highways						
- National Highway 107	Class II Highway	253.0	2	4	23.63	19
- Highway Between Qingyuan and Lianzhou Cities <sup>(b)</sup>	Expressway work-in-progress	215.2	4	5	23.63	19

(a) Projects are operated by subsidiaries of GZT

(b) Projects are operated by associates or jointly controlled entity of GZT

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

<b>Tollroad Projects</b>	<b>Average daily toll traffic volume</b> <i>(vehicle/day)</i>	<b>Average daily toll revenue</b> <i>(RMB/day)</i>	<b>Weighted average toll fare per vehicle</b> <i>(RMB)</i>
Northern Ring Road	157,187	1,456,094	9.3
GNSR Expressway	82,531	1,499,169	18.2
Xian Expressway	38,957	520,529	13.4
Humen Bridge	54,568	2,239,080	41.0
Shantou Bay Bridge	12,034	447,423	37.2
GWSR Expressway	11,000	371,899	33.8
Cangyu Expressway	3,109	76,713	24.7
Guangshen Highway	10,416	69,642	6.7
Guangshan Highway	14,729	141,516	9.6
Guangcong Highway Section II & Provincial Highway 355	15,351	111,354	7.3
Guanghua Highway	6,991	58,999	8.4
Qinglian Highways	24,693	458,713	18.6

## BASIS OF VALUATION

We have valued GZT 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.

<sup>1</sup> Information extracted from *GZI Transport Limited Interim Report 2009*.

### 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 GZT 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.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<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.

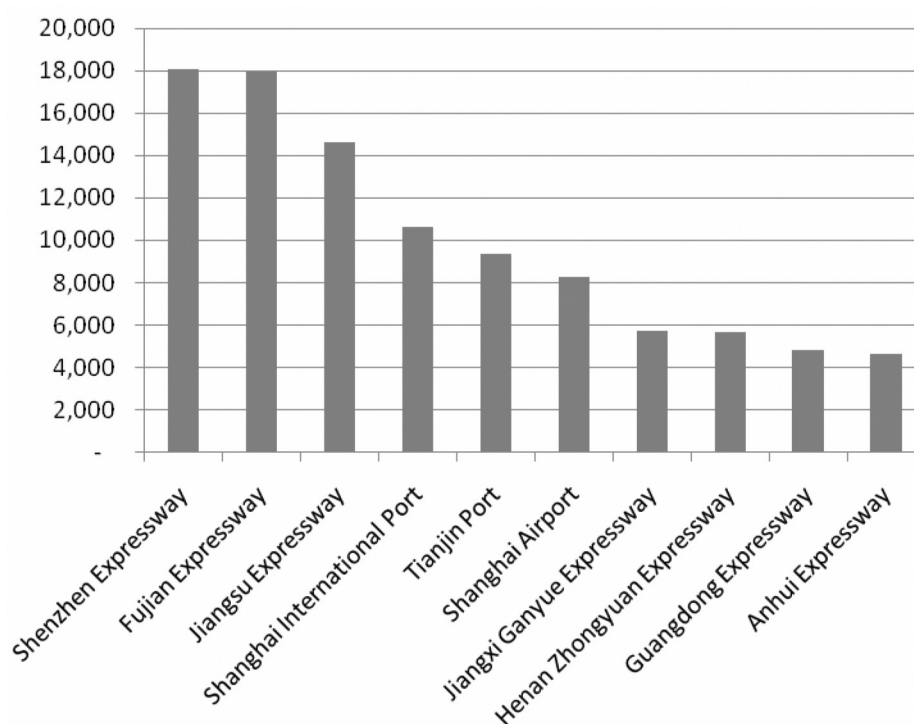
The transport infrastructure in China consists of four main areas: railways, roads, air and waterways<sup>2</sup>. Road construction has always been China's top transport infrastructure investment, with approximately 87.3% of total investment in transport fixed assets distributed to road construction, 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.

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<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.

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



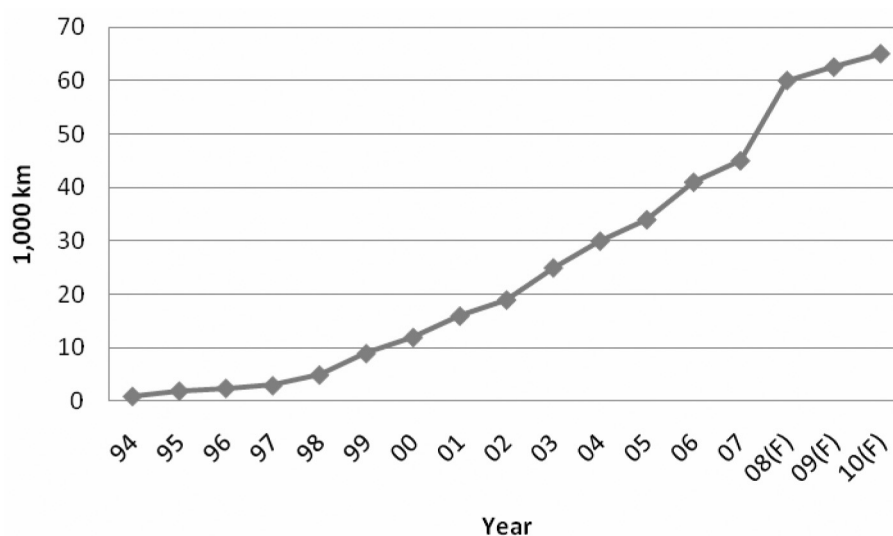
Source: ResearchInChina, *Investment Report of China Transport Infrastructure Industry, 2000-2008*

### 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

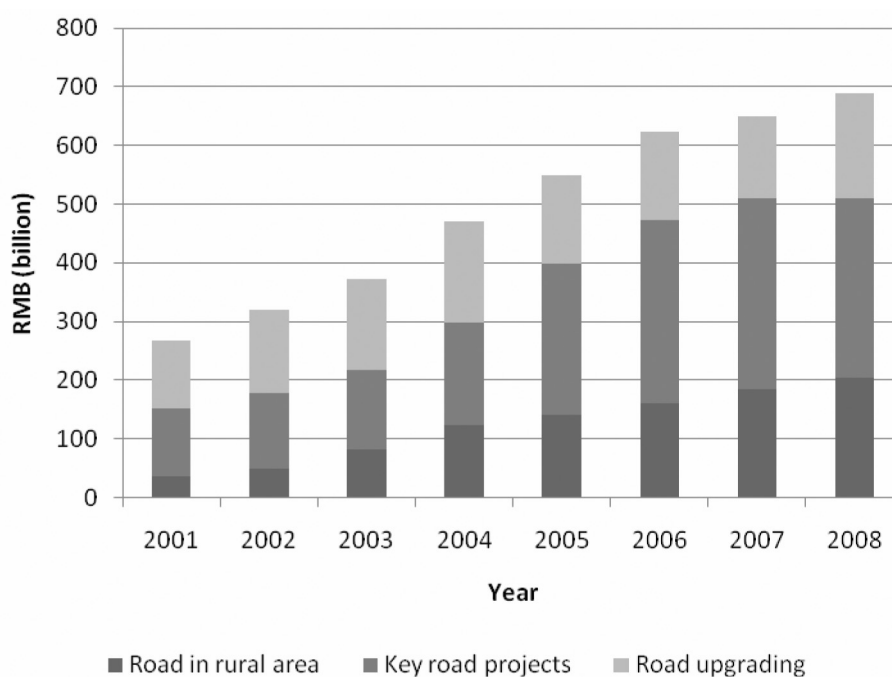
Source: Ministry of Transportation: The Master Plan for National Expressway Network (2008), China Statistical Yearbook 1994-2008, Extracted from KPMG, *Infrastructure in China: Foundation for growth*, 2009.

Although road construction and maintenance are mainly the responsibility of the local governments, the private sector has been encouraged to participate in the tollroad sector to ease the government budget. Despite that many areas are still relatively under-developed, China has the world's largest network of tollroads, 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>.

<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.

## 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.

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.

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

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

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

## **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 GZT is determined by cashflow generated from business operations, which is the Tollroad Projects, with specific operating terms. This means that the future economic benefit is more important in valuing GZT than the book value or the cost of acquiring the projects. Hence, income approach is more appropriate in determining the value of GZT.

### **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.

We have considered but rejected the market approach for GZT valuation because:

- We are unable to satisfy ourselves that the comparable transaction method would be the most appropriate since the value of GZT is derived from the economic benefit generated from each of the Tollroad Projects 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 projects 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 GZT is determined by the Tollroad Projects which can varies significantly with different stage of development, operating terms and tollroad location, it is difficult for meaningful comparisons to be made for the tollroad 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 GZT because the value of GZT is determined by the ability to generate a stream of benefits from the Tollroad Projects in the future. In the case of the valuation of GZT, DCF is more applicable than the two other approaches.

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

We have relied heavily on the “交通流量及收入預測研究報告” and “公路營運維修成本估算研究報告” prepared by THI Asia Consultants Limited (the “Traffic Reports”) for the traffic projections of each individual tollroad projects. Our investigation included an inspection of the Tollroad Projects, discussions with members of GZT’s management in relation to the history and the nature of the business, operations and prospects of GZT and review of GZT’s 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 the Tollroad Projects made by THI Asia Consultants Limited in the Traffic Reports;
- schedule and cost of repairs and maintenance made by THI Asia Consultants Limited in the Traffic Reports;
- 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 GZT operates, a number of assumptions have to be established in order to sufficiently support our concluded value of GZT. 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 Tollroad Projects 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 Tollroad Projects will conform to the average of the optimistic and conservative scenarios as projected in the Traffic Reports;
- depreciation policy of the Tollroad Projects is subject to its individual accounting policy;
- credit terms and repayment schedule of bank and shareholder's loans are provided by the management; and
- GZT will retain competent management, key personnel, and technical staff to support the ongoing operation of the Tollroad Projects.

#### **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 GZT, we have assessed the Capital Asset Pricing Model ("CAPM") to calculate the discount rate for the tollroad operation of GZT.

#### **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-adverse and are seeking to maximize the returns on their investments. The cost of equity using CAPM is calculated from the formula below:

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

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 GZT.

## VALUATION ADJUSTMENTS

In arriving our conclusion in this valuation, we have summed the values of all individual tollroad projects, which represent GZT's major income source. In addition, we have adjusted certain assets and liabilities of GZT at corporate level which are non-operational, that is, not relating to GZT's tollroad business or to the value of the Tollroad Projects. These adjustments included excess cash, fixed assets, available-for-sales financial assets, long term receivables, withholding tax liability and other non-operational asset.

## SENSITIVITY ANALYSIS

A sensitivity analysis was prepared based on discount rates ranging from 14% to 16%. The sensitivity result of GZT falls in the range of HKD8,450 million to HKD9,504 million.

Discount rate	Results (HKD million)
14%	9,504
15%	8,947
16%	8,450

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

<sup>10</sup> Median beta of 6 comparable public companies in tollroad and expressway businesses operating in the 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 GZT.

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 GZT'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 . . . . .	HKD8,947,000,000
Application . . . . .	Accepted

Since the income approach is the only valid and applicable approach in this valuation, we conclude the fair value of our valuation is HKD8,947,000,000 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 GZT is as follows:

HONG KONG DOLLAR EIGHT BILLION NINE HUNDRED AND  
FORTY-SEVEN MILLION ONLY (HKD8,947,000,000)

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

Carol K. L.Tso

*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.*

**A. INDEBTEDNESS**

At the close of business on 30 September 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$15,240 million, which consists mainly of (1) secured bank borrowings of approximately HK\$10,931 million, (2) unsecured borrowings of approximately HK\$3,905 million, (3) unsecured loans from minority shareholders of subsidiaries of approximately HK\$347 million and (4) unsecured loans from a related party of approximately HK\$57 million.

The secured borrowings of the Group are secured by (1) certain of the Group's properties under development, investment properties, property, plant and equipment and leasehold land and land use rights; (2) assignment of shareholder's loan between certain companies in the Group and (3) toll operating right on a toll highway of the Group.

As at 30 September 2009, the Group had the following material contingent liabilities:

- (1) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties amounting to approximately HK\$980 million, in aggregate. Pursuant to the terms of the guarantees, in the event that those purchasers default on mortgage payments, the Group will be responsible for repaying to the banks the outstanding principal of the mortgages together with accrued interests and penalty owed by the defaulting purchasers and the Group will be entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.
- (2) In connection with the disposal of a subsidiary to GZI REIT, an associated entity of the Group, the Group entered into a Deed of Indemnity in 2008 for the purpose of indemnifying GZI REIT against certain liabilities for land premium, mortgage guarantees and deferred taxation with an estimated total amount of approximately HK\$74 million. The Deed of Indemnity will expire on 30 May 2014.

Save as aforesaid, and apart from the intra-group liabilities, at the close of business on 30 September 2009, the Group did not have any other debt securities, any outstanding acceptance credits, any outstanding loan capital, any borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 30 September 2009 and up to the Latest Practicable Date.

**B. WORKING CAPITAL**

After taking into account the expected completion of the Reorganisation and the financial resources available to the Group (including internally generated funds and the present available banking facilities relevant to the assessment of the sufficiency of working capital of the Group), the Directors are of the opinion that the Group has sufficient working capital for its present requirements (i.e., for at least the next 12 months from the date of this circular).

**C. FINANCIAL AND TRADING PROSPECTS**

For the six months ended 30 June 2009, the Group's revenue (excluding the sales of investment properties) amounted to approximately HK\$3,015 million, representing an increase of approximately 42.2% over the same period last year. Gross profit amounted to approximately HK\$1,205 million, representing an increase of approximately 27.9% over the same period last year of approximately HK\$942 million. Average gross profit margin decreased slightly from last year of 44% to 40%.

Revenue from the property and related business (excluding sales of investment properties) amounted to approximately HK\$2,508 million, which increased by approximately 54.2% over the same period last year. Gross profit was approximately HK\$905 million, representing an increase of approximately 41.5% over the same period last year. Of these amounts, property sales (excluding the sales of investment properties) reported an increase of approximately 94.4% to approximately HK\$1,871 million during the period, whilst gross profit amounted to approximately HK\$715 million, representing an increase of approximately 94% over the same period last year. Average gross profit margin was maintained at approximately 38%. During the period, proceeds from sales of investment properties amounted to approximately HK\$59 million resulting in a gain of approximately HK\$17 million, representing a decrease of approximately 29% over the same period last year.

As the global economy is still mired in uncertainties, it is expected that the PRC government will continue to adopt a "quantitative easing" credit policy and a "dynamic fine tuning" fiscal policy in tandem in order to foster stability and encourage growth.

In view of the rapidly rising transaction volume and housing prices in the first half of 2009, the down payment percentage for second property purchase has been raised in some cities so as to curb rising prices and speculation. It is expected that more adjustments may be implemented (e.g., the government may increase the supply of land and raise property transaction costs). Although the property market may experience volatility in the short to medium term, the Group is of the view that there will unlikely be any major adverse changes and is still optimistic about the long term development of the domestic property market.

The Group is confident about the future prospect of Guangzhou. According to the Plan for the Reform and Development of the Pearl River Delta announced by the National Development and Reform Commission at the end of 2008, Guangzhou will give priority to the development of high-end service industries and advanced manufacturing sectors, strengthening the alignment of Guangzhou and Foshan, accelerating the construction of a core circle of cities accessible within one hour in the Pearl River Delta, and consolidating Guangzhou's position as a key national gateway city with competitive strengths in cultural, educational and financial sectors. In addition, the enforcement of policies by the government in reclaiming idle sites and prohibiting defaulting developers from participating in the auctions of reclaimed sites in Guangzhou, where the Group's main property projects are located, also bode well for the Group.

In light of the foregoing, Guangzhou will remain as the Group's core focus of future developments. In addition, it will also look for investment opportunities outside of Guangzhou on a selective basis.

The Group will proactively assess market dynamics and trends, with a view to controlling risks and mitigating uncertainties and will continue to raise its capabilities in (among other areas) management and governance, human resources and development scale. It will also seek to strengthen cost control, accelerate property sales, improve cash flow, maintain reasonable financial leverage, and achieve improved return for Shareholders.

*Set out below are the text of the letters received from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, and the financial adviser to the Company, Standard Chartered Bank (Hong Kong) Limited, both relating to the discounted future estimated cash flows, for the purpose of inclusion in this circular.*

**A. REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE  
ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION  
OF GZT**



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 GZI  
TRANSPORT LIMITED**

**TO THE DIRECTORS OF GUANGZHOU INVESTMENT COMPANY 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 10 November 2009 prepared by Greater China Appraisal Limited in respect of the appraisal of the fair value of GZI Transport Limited (“GZI”) is based. The Valuation is set out in Appendix I of the circular of Guangzhou Investment Company Limited (the “Company”) dated 10 November 2009 (the “Circular”) in connection with the reorganisation of the Company involving the disposal of the entire equity interests in GZI by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages I-10 to I-14 of the Circular. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

**Reporting Accountant’s Responsibility**

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

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out on pages I-10 to I-14 of the Circular. 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, have been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out on pages I-10 to I-14 of the Circular.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 10 November 2009

**B. LETTER FROM THE FINANCIAL ADVISER TO THE COMPANY**

To: The Board of Directors of Guangzhou Investment Company Limited

Dear Sirs,

We refer to the business valuation (the “Valuation”) dated 10 November 2009 prepared by Greater China Appraisal Limited (“Valuer”) in respect of the appraisal of the fair value of GZI Transport Limited (“GZI”) (the “Valuation Report”). We note that the fair value appraised under the Valuation is based on the future cash flow of the various toll roads and expressways of GZI listed on the Valuation Report. Under Rule 14.61 of the Listing Rules, such valuation of assets based on discount cash flows or projections of profits, earnings or cash flows will be regarded as a profit forecast. Accordingly, the Valuation is regarded as a profit forecast under the Listing Rules.

We have made enquiries and discussed both with the management of the Company and with the Valuer the basis upon which the Valuation has been prepared. On the basis of the foregoing, we are satisfied that the forecast has been made by the directors after due and careful enquiry.

**Standard Chartered Bank (Hong Kong) Limited**

Hong Kong, 10 November 2009



**A. RESPONSIBILITY STATEMENTS**

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, there are no other facts the omission of which would make any statement herein misleading.

**B. DISCLOSURE OF INTERESTS****(1) Directors and chief executive**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive (if any) had, or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which are (a) 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 and short position which they have taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

## a. Long positions in Shares:

<b>Name of Director</b>	<b>Capacity in Holding Interest</b>	<b>Beneficial interest in Shares</b>	<b>Approximate % of interest</b>
Mr. Lee Ka Lun	Beneficial owner	3,500,000	0.049
Mr. Wang Hongtao	Beneficial owner	160,000	0.002
Ms. Zhou Jin	Beneficial owner	100,000	0.001

## b. Long positions in the underlying shares of equity derivatives of the Company:

<b>Name of Director</b>	<b>Date of grant</b>	<b>Exercise price per Share HK\$</b>	<b>Number of share options outstanding</b>
Mr. Tang Shouchun	23 June 2004 (Note 1)	0.630	1,560,000
Mr. Lau Hon Chuen Ambrose	28 May 2008 (Note 2)	1.556	2,800,000

*Notes:*

- The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)) are exercisable during the period (a) up to the first anniversary; and (b) up to the second anniversary of the date of grant, respectively.

2. The share options are exercisable from 28 May 2008 to 27 May 2018, of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)) are exercisable during the period (a) up to the first anniversary; and (b) up to the second anniversary of the date of grant, respectively.

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

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

## (2) Substantial Shareholders

As at the Latest Practicable Date, so far is known to the Directors and the chief executive, the following persons (not being a Director or a chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO, or were, 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 the Company:

Name	Capacity	Long position in Shares	Approximate % of interest
Yue Xiu	Interests of controlled corporations	3,346,735,248	46.93

*Note:*

Yue Xiu is deemed by the SFO to be interested in 3,346,735,248 Shares as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which are as follows:

<i>Name</i>	<i>Long position in Shares</i>
<i>Excellence Enterprises Co., Ltd. ("Excellence")</i>	<i>3,325,548,981</i>
<i>Bosworth International Limited ("Bosworth")</i>	<i>2,430,846,821</i>
<i>Sun Peak Enterprises Ltd. ("Sun Peak")</i>	<i>565,683,000</i>
<i>Novena Pacific Limited ("Novena")</i>	<i>565,683,000</i>
<i>Shine Wah Worldwide Limited ("Shine Wah")</i>	<i>158,049,000</i>
<i>Morrison Pacific Limited ("Morrison")</i>	<i>158,049,000</i>
<i>Perfect Goal Development Co., Ltd. ("Perfect Goal")</i>	<i>135,737,000</i>
<i>Greenwood Pacific Limited ("Greenwood")</i>	<i>135,737,000</i>
<i>Seaport Development Limited ("Seaport")</i>	<i>35,233,160</i>
<i>Goldstock International Limited ("Goldstock")</i>	<i>35,233,160</i>
<i>Yue Xiu Finance Company Limited</i>	<i>8,386,267</i>
<i>Dragon Year Industries Limited</i>	<i>650,000</i>
<i>Easypower Investments Limited</i>	<i>8,200,000</i>
<i>Leader Power Limited</i>	<i>3,950,000</i>

- (i) 2,430,846,821 Shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.
- (ii) 565,683,000 Shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.
- (iii) 158,049,000 Shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.
- (iv) 135,737,000 Shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.
- (v) 35,233,160 Shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

*Note: The information disclosed above is based on the information available on the website of the Stock Exchange.*

Mr. Lu Zhifeng, Mr. Zhang Zhaoxing and Mr. Liang Yi are also directors of Yue Xiu while Mr. Tang Shouchun is a deputy general manager of Yue Xiu.

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.

#### C. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company, or any member of the Group, which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

#### D. EXPERTS

The following are the qualifications of the experts who have provided their opinion or advice, which are contained in this circular:

Name	Qualification
Yu Ming	a licensed corporation for types 1, 4, 6, and 9 regulated activities under the SFO and the independent financial adviser to the independent board committee and the Independent Shareholders
Greater China Appraisal Limited	independent valuer

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Standard Chartered Bank (Hong Kong) Limited	a registered institution regulated by the Hong Kong Monetary Authority which is authorized to carry out, amongst other things, type 6 regulated activities under the SFO

As at the Latest Practicable Date, none of Yu Ming, Greater China Appraisal Limited and PricewaterhouseCoopers had 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, nor did any of them have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, after making due enquiries and to the best knowledge of Standard Chartered Bank (Hong Kong) Limited, it did not have:

- (1) any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up; and
- (2) any 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.

Each of the experts named in this paragraph D has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports, letters, opinion and advice and all references to its name in the form and context in which it is included.

The letter and advice given by Yu Ming is given as of the date of this circular for incorporation herein.

The business valuation report given by Greater China Appraisal Limited is given as of the date of this circular for incorporation herein.

The letter given by PricewaterhouseCoopers is given as of the date of this circular for incorporation herein.

The letter given by Standard Chartered Bank (Hong Kong) Limited is given as of the date of this circular for incorporation herein.

**E. COMPETING INTEREST**

As at the Latest Practicable Date, so far as the Directors are aware of, no Director or his/her respective associates had any interest in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**F. NO MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors were 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 consolidated audited accounts of the Group were made up.

**G. MATERIAL LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Group and no litigation or arbitration or claims which would materially and adversely affect the operations of the Group was known to the Directors to be pending or threatened by or against any member of the Group.

**H. MATERIAL CONTRACTS**

The following contracts, not being entered into in the ordinary course of business, were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are, or may be, material:

- (1) the Underwriting Agreement;
- (2) a conditional sale and purchase agreement dated 14 January 2008 entered into by the Guangzhou Investment (China Property) Company Limited (as vendor), the Company (as a guarantor), HSBC Institutional Trust Services (Asia) Limited (as purchaser and in its capacity as trustee of GZI REIT) and GZI REIT Asset Management Limited in relation to the disposal of the entire issued share capital of Metrogold Development Limited and the shareholder's loans due, owing or payable to Guangzhou Investment (China Property) Company Limited by Metrogold Development Limited, for a consideration, being the disposal value, of approximately HK\$677.3 million adjusted to take into account, among others, the difference between the combined net assets of Metrogold Development Limited and the property company as at 30 September 2007 and as at the date of completion of the transaction;
- (3) the agreement dated 3 November 2008 entered into between the Company and Yue Xiu in relation to the transfer and assignment by the Company to Yue Xiu of all of the Company's rights, title, interests and benefit of and in (a) the entire issued share capital of Goldkemp Investment Limited and (b) the shareholder loans owed by Goldkemp Investment Limited to the Company and its subsidiaries in exchange for the transfer by Yue Xiu to the Company of Yue Xiu's entire rights, title, interests and benefit of and in the shares of Techcon Investment Limited and the payment of HK\$250 million by Yue Xiu; and

- (4) an equity transfer deed dated 25 September 2009 entered into among Choice Tone Limited (a wholly-owned subsidiary of GZT), Glorious Sun (Highway Development) Limited, Kwong Ian (Hong Kong) Construction and Real Estate Development Company Limited, and Mr. Ho in respect of the acquisition of the interests in Tianjin Jinfu Expressway Co., Ltd., Tianjin Langdao Expressway Co., Ltd. and Tianjin Yuanhong Expressway Co., Ltd. and the assumption of the certain indebtedness, for a consideration of RMB340,000,000 (i.e., approximately HK\$386,759,000).

## **8. MISCELLANEOUS**

- (a) The registered office of the Company is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (b) The share registrar of the Company is Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Yu Tat Fung, a solicitor of the High Court of Hong Kong.
- (d) The English language text of this circular shall prevail over the Chinese language text.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal office hours at the registered office of the Company at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2008;
- (c) the interim report of the Group for the six months ended 30 June 2009;
- (d) each contract set out in the paragraph headed "Material Contracts" in this Appendix;
- (e) this circular;
- (f) each of the letters of consent referred to under the paragraph headed "Experts" in this Appendix;
- (g) the business valuation report which is set out in Appendix I of this circular;

- (h) the letter from PricewaterhouseCoopers to the Board on the discounted future estimated cash flows in connection with the business valuation of GZT, the text of which is set out in Appendix III of this circular;
- (i) the letter from Standard Chartered Bank (Hong Kong) Limited to the Board on the discounted future estimated cash flows in connection with the business valuation of GZT, the text of which is set out in Appendix III of this circular; and
- (j) the letter of advice from Yu Ming to the independent board committee of the Company and the Independent Shareholders, the text of which is set out on pages 32 to 50 of this circular.



越秀投資有限公司

**GUANGZHOU INVESTMENT COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 123)**

## SUPPLEMENTARY NOTICE OF EGM

**SUPPLEMENTARY NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Guangzhou Investment Company Limited (the “**Company**”) will be held at Harcourt Room, Lower Lobby, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Thursday, 26 November 2009 at 10 a.m. (“**EGM**”) for the purpose of considering, and if thought fit, passing, with or without modifications, the following additional resolution as an ordinary resolution. Unless otherwise indicated, capitalized terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 10 November 2009:

### ORDINARY RESOLUTION

**“THAT:**

- (a) the entering into of the Underwriting Agreement dated 20 October 2009 between the Company and Yue Xiu in relation to the Share Offer (a copy of which is tabled at the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) subject to and conditional upon the fulfilment of the Share Offer Conditions, the proposed offer for sale by the Company of the Offer Shares, which represent all of the GZT Shares held by it immediately following completion of the Inter-Company Distribution and Transfer and the GZT Share Distribution, to the Qualifying Shareholders on pro rata basis for HK\$3.00 per GZT Share be and are hereby approved; and
- (c) the Directors be and are hereby authorised to exercise all such powers and to do all such further acts and things and to execute all documents or deeds as they consider necessary, desirable or expedient to implement and/or give effect to the terms to give effect to the Share Offer.”

*Note: Please refer to the notice of the EGM of the Company dated 3 November 2009 for details in respect of the special resolution to be considered at the EGM and other relevant matters.*

By order of the Board of  
**Guangzhou Investment Company Limited**  
**LU Zhifeng**  
*Chairman*

Hong Kong, 10 November 2009



*Registered office:*

26th Floor, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

*Notes:*

1. The register of members of the Company will be closed from Monday, 23 November 2009 to Thursday, 26 November 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 20 November 2009 (Hong Kong time).
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Where there are joint holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, provided that if more than one of such joint holders be present at the EGM personally or by proxy, the person whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the 2nd proxy form in respect of the newly proposed resolution for the EGM and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority, must be deposited with the Company's share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting thereof.
4. Completion and return of the 2nd proxy form in respect of the newly proposed resolution for the EGM will not preclude a member from attending and voting in person at the meeting (or any adjournment thereof) should he/she so wishes and in such event, the 2nd proxy form for the meeting will be deemed to have been revoked.
5. The newly proposed resolution will be voted by poll by the Independent Shareholders.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
7. As at the date hereof, the executive directors of the Company are LU Zhifeng, ZHANG Zhaoxing, LIANG Yi, TANG Shouchun, WANG Hongtao and ZHOU Jin; and the independent non-executive directors of the Company are YU Lup Fat Joseph, LEE Ka Lun and LAU Hon Chuen Ambrose, respectively.