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**DISCLOSEABLE TRANSACTION
ANNOUNCEMENT
ACQUISITION OF EQUITY INTERESTS
IN CHANGZHU EXPRESSWAY**

AGREEMENT

The Board is pleased to announce that on 21 December 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Equity Interest.

The Target Company is principally engaged in the investment, construction, management and operation of the Changzhu Expressway. Upon completion of the Acquisition, the Company will, through the Purchaser, own the interests in, and the operating right to, the Changzhu Expressway.

BENEFITS OF THE ACQUISITION

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

- (1) The Changzhu Expressway enjoys an excellent location. It connects the two largest cities of the Hunan Province, namely Changsha and Zhuzhou, which form a crucial part of the Changsha outer ring and connects to the Huanghua Airport Expressway. Benefiting from a good connectivity with surrounding road networks, it has great potential for growth;
- (2) The Internal Rate of Return of the Target Company as derived from the discounted cash flow modeling of GCA was approximately 12.92%;

- (3) The Acquisition is in-line with the Group's corporate strategy to increase the composition and quality of the Group's expressway portfolio, to quickly and effectively replace and replenish the Group's revenues and highway mileage (total attributable length of the Group's toll roads and bridges will be approximately 285.6 kilometres, after taking into account of the acquisition of the Hubei Han-Xiao Expressway and Changzhu Expressway) as a result of the closure of the class I highway toll stations in Guangzhou by the end of October 2010 as directed by The People's Government of Guangzhou Municipality;
- (4) Following the recent acquisition of the Hubei Han-Xiao Expressway, the franchise to operate the Changzhu Expressway, which is effective for 30 years, will add a new growth engine to the Group's toll road portfolio and strengthen the Company's capacity for sustainable development; and
- (5) In view of the recent continued trends for appreciation in the RMB currency and the low interest rate on Hong Kong dollars, the Acquisition will allow the Group to effectively deploy its own funds and to enhance the Group's return on employed capital by the increased leverage.

LISTING RULES IMPLICATIONS

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

THE AGREEMENT

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1. Date 21 December 2010

2. Parties

- (i) The Purchaser, a wholly-owned subsidiary of the Company; and
- (ii) The Vendors.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners is a third party independent of, and not connected with, the Company and its connected persons.

3. Asset to be Acquired

The Equity Interest

The parties have agreed that the Purchaser shall acquire the Equity Interest in two phases:

1. The Purchaser shall first acquire the 90% Equity Interest from the Vendors in the following proportions:
 - (i) 55% Equity Interest owned by Aoshen; and
 - (ii) 35% Equity Interest owned by Zhonghe.
2. Conditional upon the due satisfaction by the parties of their respective obligations under the Agreement, Zhonghe has agreed to sell, and the Purchaser has agreed to acquire, the remaining 10% Equity Interest held by Zhonghe within 1 year after the final inspection and acceptance of the Changzhu Expressway is completed by the Vendors.

The Target Company is principally engaged in the investment, construction, management and operation of the Changzhu Expressway and owns the franchise to operate the Changzhu Expressway for a term of 30 years commencing on 31 August 2010. Upon completion of the Acquisition, the Company will, through the Purchaser, own the interests in, and the operating right to, the Changzhu Expressway.

4. Total Consideration

Pursuant to the Agreement, the Total Consideration payable for the Acquisition comprises the consideration payable for the 90% Equity Interest ("**90% Equity Interest Consideration**") and the consideration payable for the 10% Equity Interest ("**Further 10% Equity Interest Consideration**").

4.1 The 90% Equity Interest Consideration will be determined by the following formula:

$$[41.62^{\#} \times \text{RMB}75,000,000 - \frac{\text{(Completion Date Indebtedness Amount)} - \text{RMB}39,850,000^{\#\#} + \text{RMB}9,962,500^{\#\#\#}}{\text{Amount}}] \times 90\%$$

being the length in kilometers of the Changzhu Expressway

RMB39,850,000 being the deferred revenue from the completed assignment of the advertising rights and petrol station operating rights included in the Completion Date Indebtedness Amount which will be excluded from the calculation of the 90% Equity Interest Consideration

RMB9,962,500 being the deferred tax payable by the Vendors for the aforementioned assignment of advertising rights and operating rights which will be included in the Completion Date Indebtedness Amount

As the Completion Date Indebtedness Amount cannot be ascertained at the Signing Date, the Purchaser and the Vendors have agreed to use the Reference Indebtedness Amount of RMB2,035.9 million to determine the 90% Equity Interest Consideration payable at Completion (“**Signing Date Consideration**”) and to subsequently adjust the same in the manner described below to arrive at the 90% Equity Interest Consideration.

Accordingly, the Signing Date Consideration will be RMB1,003.9 million. If the total sum of at least RMB38.5 million plus any currently undetermined sum of all loans or receivables due to the Target Company from the associated companies of the Vendors to be repaid to the Target Company as required under conditions 6(ii), (iii) and (iv) below, being conditions precedent to Completion, are used for the repayment of, and hence reduction in, the Target Company’s indebtedness, the Signing Date Consideration would be adjusted upward by such amount on Completion.

The Signing Date Consideration will be further adjusted by the following items after Completion:

- (i) 90% of the difference between the Reference Indebtedness Amount and the Completion Date Indebtedness Amount, which shall be ascertained by the auditor jointly appointed by the parties after Completion pursuant to the terms of the Agreement; and
- (ii) any Undisclosed Indebtedness;

- (iii) any depreciation in value in the assets of the Target Company as at the Completion Date (but excluding any normal tear and wear and depreciation); and
- (iv) any adjustment (“**Construction Costs Adjustment**”) required to be made when the total amount of construction costs actually paid by the Target Company after Completion differs from the total amount of construction costs outstanding as at the Completion Date as agreed by the parties, such that
 - (a) if the total amount of construction costs actually paid or payable by the Target Company after Completion is less than the agreed outstanding amount, 90% of such difference shall be added to, and be payable to the Vendors in, the Fourth Instalment; or
 - (b) if the total amount of construction costs actually paid or payable by the Target Company after Completion exceeds the agreed outstanding amount, such excess shall be borne by the Vendors and be deducted from the Fourth Instalment directly.

If any adjustment is required to be made pursuant to (ii) and (iii) above after the 90% Equity Interest Consideration has already been paid in full, the Purchaser shall have the right to demand the Vendors to repay the relevant adjustment amounts within a specified period of time.

4.2 The Further 10% Equity Interest Consideration payable by the Purchaser shall be 1/9 of the 90% Equity Interest Consideration plus interests thereon to be accrued at the three-year base lending rate from time to time prescribed by the People’s Bank of China from the Completion Date to the date of payment.

4.3 Assuming the 90% Equity Interest Consideration equals to the Signing Date Consideration of RMB1,003.9 million, the Further 10% Equity Interest Consideration will be approximately RMB130.3 million (inclusive of interests thereon) and the Total Consideration will be approximately RMB1,134.2 million.

The Total Consideration was determined through arm’s length negotiations between the Vendors and the Purchaser and on a commercial basis. Compared to the fair value of the Equity Interest in the amount of RMB 1,206.6 million as at 29 October 2010, as appraised by GCA, an independent valuer engaged by the

Company, using the income approach with discounted cash flow modeling (which constitutes a profit forecast under Rule 14.61 of the Listing Rules (“**Profit Forecast**”)), the Total Consideration (based on the Signing Date Consideration) represents a discount of approximately 6.0% to the appraised value of the Equity Interest. As such, the Directors consider the Total Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Payment Terms

5.1 The 90% Equity Interest Consideration will be payable in cash by the Purchaser in four instalments in the following manner.

(i) First Instalment: RMB550 million (“**First Instalment**”), which is equivalent to the principal and interest outstanding under the Loan, shall be deposited into the Escrow Account within 15 Business Days after the satisfaction of certain conditions, including paragraphs 6(i) to 6(viii), 6(xv) and 6(xvi), and true copies of the Government Approvals as described in paragraph 6(viii) having been delivered to the Purchaser by the Vendors.

Aoshen shall be responsible for obtaining the Lender’s release of the Share Pledge at the relevant registration authority and for completing the registration procedures for transfer of the 90% Equity Interest to the Purchaser within 15 Business Days after the First Instalment is paid into the Escrow Account.

The First Instalment will be released to the Lender’s designated account in accordance with the terms of the Escrow Agreement upon satisfaction of the conditions described in paragraphs 6(ix) and 6(x) and delivery of true copies of the Registration Documents to the Purchaser.

- (ii) Second Instalment: RMB253.1 million, being 80% of the Signing Date Consideration less the First Instalment, (“**Second Instalment**”) shall be paid by the Purchaser to the Vendors’ designated account within 10 Business Days after certain conditions, including those described in paragraphs 6(xi) to 6(xiv), are satisfied by the Vendors.
- (iii) Third Instalment: 90% of the 90% Equity Interest Consideration less the First Instalment and the Second Instalment, (“**Third Instalment**”) shall be paid by the Purchaser to the Vendors’ designated account within 10 Business Days after the Completion Date Accounts are provided to the Purchaser and the Vendors. If any receivables of the Target Company shall remain outstanding and unpaid as at the Completion Date, the same amount shall be deducted from the 90% Equity Interest Consideration, and after the deduction, the Target Company shall not make any claims to recover such receivables.
- (iv) Fourth Instalment: The fourth instalment, being the remaining 10% of the 90% Equity Interest Consideration less any Undisclosed Indebtedness and Construction Costs Adjustments, (“**Fourth Instalment**”) shall be paid by the Purchaser to the Vendors’ designated account within 10 Business Days after the Vendors have duly completed their obligations in relation to the final inspection and acceptance of the Changzhu Expressway described in paragraph 7 below.

The 90% Equity Interest Consideration will be funded by the Group’s internal resources and any shortfall thereof will be financed by short-term bank loans.

5.2 The payment method and terms for the Further 10% Equity Interest Consideration will be separately agreed by the Purchaser and Zhonghe. It is currently expected that the Further 10% Equity Interest Consideration will be funded by the Group’s internal resources.

6. Conditions for the 90% Acquisition

Completion of the 90% Acquisition is subject to and conditional upon fulfillment of a number of conditions, which, among others, include:-

- (i) the representations, warranties and undertakings given by the Vendors and the Target Company in the Agreement not being misleading and remaining true and accurate;
- (ii) Aoshen having repaid the Target Company a sum of RMB26,500,000 due from Aoshen to the Target Company;
- (iii) the Vendors having either de-registered or acquired the entire equity interest in 湖南京楚置業有限公司(Hunan Jingchu Property Company Limited*), a wholly-owned subsidiary of the Target Company, and returned its registered capital of RMB12,000,000 to the Target Company;
- (iv) all loans or other receivables due to the Target Company from the associated companies of the Vendors and any other third parties having been repaid and settled in full;
- (v) the Target Company, the Vendors and the Bank of China Limited (“**BOC**”) having entered into a novation agreement for the transfer and assignment to the Vendors (or an entity designated by the Vendors) of all the Target Company’s liabilities, obligations and interests under the master derivatives agreement made between the Target Company and BOC on 4 March 2008 (“**Derivatives Agreement**”) and the Vendors having repaid the Target Company all the net losses that it has so far incurred under or as a result of the Derivatives Agreement as the consideration for the aforesaid assignment;
- (vi) the Changzhu Expressway having passed the final inspection and the Target Company having obtained all the relevant approvals and documents confirming the same;
- (vii) the Target Company having obtained written confirmations from the relevant land authority in respect of compensations paid for lands resumed for the Changzhu Expressway;

- (viii) the Vendors and the Target Company having completed and obtained the necessary approvals for the 90% Acquisition (“**Government Approvals**”), including but not limited to the approvals to be granted by the Department of Transportation of Hunan Province in connection with the Agreement;
- (ix) the Share Pledge having been released and Aoshen and the Lender having obtained the relevant documents for the said release from the relevant registration authority;
- (x) the Vendors and the Target Company having completed all registration procedures for the 90% Acquisition and a new business licence recording, among other things, the Purchaser’s 90% Equity Interest;
- (xi) the Vendors and the Target Company having fully performed or complied with their respective obligations, warranties and undertakings that are required to be performed or complied with under the Agreement on and before Completion;
- (xii) there being no material contracts of the Target Company which might
 - (a) give rise to any issues or claims for damages or relief in relation to the 90% Acquisition; or
 - (b) prevent or delay the 90% Acquisition, or cause the 90% Acquisition to become illegal, or otherwise interfere with any of the procedures of the 90% Acquisition;
- (xiii) there being no adverse consequences due to conflict with laws or any material contracts of the Target Company as a result of Completion or compliance with the terms of the Agreement;
- (xiv) there being no creditor who is able to sell the assets or the toll collection rights of the Target Company;
- (xv) the Group having complied with all applicable rules and regulations, including the Listing Rules, and obtained all necessary authorization, approvals and consents for the Agreement and the transactions contemplated thereunder; and
- (xvi) the payment and receipt of the 90% Equity Interest Consideration involved in the 90% Acquisition having been approved by the responsible PRC foreign exchange authorities.

If any of the above conditions are not satisfied (or waived) within 6 months after the Signing Date (“**Long Stop Date**”), and the Purchaser or the Vendors (as the case may be) are unwilling to waive any of such condition(s), then the Agreement shall be terminated forthwith, the funds in the Escrow Account (including the principal and interest) shall be returned to the Purchaser according to the terms of the Escrow Agreement, and neither party shall have any claims against the other, except for any deliberate act to prevent fulfillment or satisfaction of the relevant condition(s). Similarly, neither party shall have any claims against the other for any postponement agreed between the Purchaser and the Vendors.

7. Special provisions for final inspection and acceptance of the Changzhu Expressway

In relation to the final inspection and acceptance of the Changzhu Expressway, the Vendors have undertaken to the Purchaser to:

- (i) obtain the Certificates for the Use of State-owned Land for all lands used by the Changzhu Expressway within 1 year of the Signing Date and pay all costs therefor; and
- (ii) ensure that all relevant procedures and formalities in connection with the construction settlement accounts and the final inspection and acceptance of the Changzhu Expressway are completed within 3 years of the Signing Date pursuant to the terms of the Agreement; and
- (iii) ensure that the Changzhu Expressway passes the final inspection and acceptance review to be conducted by the relevant government authority and to perform and complete, at their own costs, all rectification works required or specified in such reviews, except for those caused by the Purchaser and the Target Company.

8. Completion

Completion of the 90% Acquisition shall take place on the Completion Date, which shall be the date on which the new business licence of the Target Company is issued by the relevant registration authority as described in paragraph 6(x) above, provided that all the conditions precedent of the Agreement have been satisfied or waived (as the case may be).

FAIR VALUE OF THE EQUITY INTEREST IN THE TARGET COMPANY

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

- (1) there will be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC where the Target Company is located;
- (2) there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (3) there will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
- (4) traffic growth for the Target Company will conform to the average of the conservative and the optimistic scenario as projected in the “長株高速公路交通流量及收入預測研究報告” and “長株高速公路公路營運維修成本估算研究報告” (traffic and revenue forecast, operation and maintenance reports of the Changzhu Expressway) prepared by THI Asia Consultants Limited (“**THI**”) (*Note 1*);
- (5) depreciation policy of the Target Company is subject to its individual accounting policy;
- (6) credit terms and repayment schedules of bank loans are provided by the management of the Company; and
- (7) the Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of the Changzhu Expressway.

Note 1: THI’s traffic forecast is prepared based on, amongst other things, the following assumptions of the traffic and toll revenue forecast of the Changzhu Expressway:

Table 1 — Assumptions of the GDP Annual Growth Rate (%)

(i) Changsha City		
Year	Optimistic Case	Conservative Case
2010-2015	17.7%	16.1%
2015-2020	13.3%	12.1%
2020-2025	10.0%	9.1%
2025-2030	7.5%	6.8%
2030-2035	5.6%	5.1%
2035-2040	4.2%	3.8%

(ii) Zhuzhou City		
Year	Optimistic Case	Conservative Case
2010-2015	12.4%	11.2%
2015-2020	9.3%	8.4%
2020-2025	7.0%	6.3%
2025-2030	5.2%	4.7%
2030-2035	3.9%	3.6%
2035-2040	2.9%	2.7%

Table 2 — Summary of Traffic Forecast Projections

Traffic Forecast Projection (vehicle/day) for the Changzhu Expressway

Year	Optimistic Case	Conservative Case
2010	12,295	11,995
2011	18,721	18,043
2012	27,575	26,049
2013	39,177	36,580
2014	43,670	40,394
2015	47,731	43,747
2016	51,837	47,168
2017	56,297	50,857
2018	61,140	54,835
2019	66,400	59,123
2020	72,112	63,747
2021	76,765	68,209
2022	81,717	72,984
2023	86,990	78,093
2024	90,209	83,559
2025	90,299	89,409
2026	90,479	89,856
2027	90,660	89,945
2028	90,842	90,035
2029	91,023	90,125
2030	91,205	90,216
2031	91,215	90,225
2032	91,224	90,234
2033	91,233	90,243
2034	91,242	90,252
2035	91,251	90,261
2036	91,260	90,270
2037	91,269	90,279
2038	91,278	90,288
2039	91,288	90,297
2040	91,297	90,306

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

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

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

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in the investment, construction, management and operation of the Changzhu Expressway. It owns the franchise to operate the Changzhu Expressway for a term of 30 years commencing on 31 August 2010.

The Changzhu Expressway is 41.62 kilometres in length, comprising of the main line (34.75 kilometres) and the Zhuzhou connecting line (6.87 kilometres). The starting point of the Changzhu Expressway is located north of Huanghua Village in the Changsha County, with the main line ending at the intersection between the Litan Expressway and Longtoupu, and the Zhuzhou connecting line ending north-west of the Zhuzhou electrical machine factory. The Changzhu Expressway has four lanes in dual direction, a road base of 26 metres wide, designed for a traffic speed of 100 kilometres per hour.

The Hunan Provincial Government has classified the Changzhu Expressway as an operating toll road and has approved the establishment of five toll stations along the Changzhu Expressway for collection of tolls based on a closed-charge system commencing on 31 August 2010 and ending on 30 August 2040. It is included in the Hunan Province unified toll collection system so that its share of toll revenue will be determined by the Hunan Province Administration for Expressways according to the sections used by passing vehicles.

Set out below is the financial information of the Target Company for the years ended 31 December 2008 and 2009 and for the nine months ended 30 September 2010 which were prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended		For the nine
	31 December	31 December	months ended
	2008	2009	30 September
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Profit/(Loss) from operations <i>(note 1)</i>	(18,400)	(22,500)	(24,400)
Fair value gain/ (loss) and Interest income /(loss) on derivative instrument <i>(note 2)</i>	(218,000)	96,500	14,100
Profit / (Loss) before tax and extraordinary items	(236,400)	74,000	(10,300)
Profit / (Loss) after tax and extraordinary items	(236,400)	74,000	(10,300)

Note 1: The Target Company commenced toll collection on 31 August 2010. Profit/(loss) from operations prior to that date were mainly related to its general and administrative expenses. Commencing on 31 August 2010, borrowing costs no longer qualified for capitalization and were directly charged to profit and loss accounts.

Note 2: Please see paragraph 6(v) above.

According to the unaudited management accounts of the Target Company (prepared in accordance with the Hong Kong Financial Reporting Standards), its net asset value as at 30 September 2010 was approximately RMB720.5 million. Upon Completion, the Target Company will be held as to 90% by the Group and 10% by the Vendors and will become a non-wholly owned subsidiary of the Company. Upon the due satisfaction by the parties of their respective obligations under the Agreement, the Purchaser will acquire the remaining 10% Equity Interest, whereupon, the Target Company will become a wholly-owned subsidiary of the Company.

GENERAL INFORMATION ABOUT THE GROUP, THE PURCHASER AND THE VENDORS

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

Both Aoshen and Zhonghe are companies incorporated in the PRC with limited liability, which own 55% and 45% of the Equity Interest respectively.

Aoshen is principally engaged in technology development of glass products and glass materials, manufacture, sales, design and installation of construction materials, aluminum alloy products, clothing, petroleum products (excluding refined oil products), industrial-use sodium carbonate, sales of office furniture, and manufacture and sales of general machinery.

Zhonghe is principally engaged in the investment and provision of advisory services in relation to residential properties, government construction projects and construction of roads and bridges.

REASONS AND BENEFITS FOR THE ACQUISITION

Toll road revenues are closely connected with the macroeconomic trends of the relevant geographical areas. The Target Company enjoys an excellent location and traffic conditions as it is located in the Hunan Province Changsha-Zhuzhou-Xiangtan City Cluster (湖南省長株潭城市群) which is situated in the Jingguang economic zone spanning across the junction of the Pearl River Delta economic zone and the Yangtze River economic zone. The area was approved by the State Council of the PRC in 2007 as a Pilot Area on the Construction and Comprehensive Reforms for a “two-type” National Resource-Conserving and Environment-Friendly Society. The Changsha-Zhuzhou-Xiangtan area has maintained rapid growth as it derives benefits from the strategic rise of central PRC and the implementation of development measures in the Changsha-Zhuzhou-Xiangtan City Cluster. In 2009 the Changsha-Zhuzhou-Xiangtan City Cluster achieved gross domestic product of RMB 550,700,000,000, an increase of 14.5% (calculated on the basis of comparable prices), which accounted for approximately 42.6% of the gross domestic product of the Hunan Province. This increase was much higher than the increase of 8.7% in the national gross domestic product of the PRC.

It is expected that traffic flows of the Changzhu Expressway will enjoy good future growth as it forms the outer ring of the Hunan Province and the Changsha-Zhuzhou-Xiangtan area, which is adjacent to the Changsha Huanghua Airport and crosses through approximately 10 of the more developed and economically active rural towns of Changsha and Zhuzhou, and has 8 points of connection with the surrounding road network.

The Target Company is granted the franchise to operate the Changzhu Expressway for a period of 30 years which is the maximum duration permitted under PRC laws. There might exist flexibility for increasing tolls as the toll standards are relatively lower than comparable projects in other provinces. As the road base of the Changzhu Expressway is 26 metres in width, it has the advantage of having the potential of being changed from a four-lane road to a six-lane road in the future if the traffic flows thereof so require.

The Changzhu Expressway has commenced collection of tolls from 31 August 2010 and the unaudited daily average toll revenue recorded for the months of September, October and November 2010 were RMB137,300, RMB181,900, RMB210,000 respectively. This gives a month-on-month increase of 32.5% and 15.4%.

Net asset value as at 30 September 2010 per unaudited management accounts of the Target Company (prepared in accordance with Hong Kong Financial Reporting Standards) was approximately RMB720.5 million. The fair value of the Equity Interest as at 29 October 2010 as appraised by GCA by adopting the income approach with discounted cash flow modeling was approximately RMB1,206.6 million. Assuming the 90% Equity Interest Consideration equals to the Signing Date Consideration of RMB1,003.9 million, the Total Consideration will be equal to approximately RMB1,134.2 million which represents approximately 6.0% discount to the said appraised value. The Internal Rate of Return of the Target Company as derived from the discounted cash flow modeling of GCA was approximately 12.92%.

The Group was in a net cash position as at 30 June 2010. After considering the said approximate amount of Total Consideration to be paid out for the Acquisition, the gearing ratio as at 30 June 2010 would have moved up to approximately 23.4%. If taking into account the Group's recent acquisition of equity interest in Hubei Han-Xiao Highway Construction and Operations Company Limited (as disclosed in the Company's announcement dated 20 October 2010), the Acquisition would have increased the gearing ratio of the Group to 35.1% as at 30 June 2010.

Apart from the benefits of the Acquisition as described above, the Board believes that the Acquisition will bring forth the following additional benefits to the Group:

- (1) The Acquisition is in-line with the Group's corporate strategy to increase the composition and quality of the Group's expressway portfolio, to quickly and effectively replace and replenish the Group's revenues and highway mileage (total attributable length of the Group's toll roads and bridges will be approximately 285.6 kilometres, after taking into account of the acquisition of the Hubei Han-Xiao Expressway and Changzhu Expressway) as a result of the closure of the class I highway toll stations in Guangzhou by the end of October 2010 as directed by The People's Government of Guangzhou Municipality;
- (2) Following the recent acquisition of the Hubei Han-Xiao Expressway, the franchise to operate the Changzhu Expressway, which is effective for 30 years, will add a new growth engine to the Group's toll road portfolio and strengthen the Company's capacity for sustainable development; and
- (3) In view of the recent continued trends for appreciation in the RMB currency and the low interest rate on Hong Kong dollars, the Acquisition will allow the Group to effectively deploy its own funds and enhance the Group's return on employed capital by the increased leverage.

The 90% Equity Interest Consideration will be funded by the Group's internal resources and any shortfall in cash will be funded by short-term bank loans. The terms and conditions of the Agreement were arrived at after arm's length negotiation between the Group and the Vendors. Having taken into account the above benefits, the Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

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

EXPERTS AND CONSENTS

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

Name	Qualification
GCA	Valuer
PricewaterhouseCoopers	Certified Public Accountants

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

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

The valuation report made by GCA was dated 21 December 2010.

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

DEFINITIONS

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

“10% Equity Interest”	means the remaining 10% Equity Interest owned by Zhonghe which will be acquired by the Purchaser from Zhonghe, as described in paragraph 3;
“90% Equity Interest”	means the 90% Equity Interest which will be acquired by the Purchaser from the Vendors, as described in paragraph 3;
“90% Acquisition”	means acquisition of the 90% Equity Interest pursuant to the Agreement;
“Acquisition”	means acquisition of the Equity Interest by the Purchaser pursuant to the Agreement;

“Agreement”	means the equity transfer agreement dated 21 December 2010 entered into between the Purchaser and the Vendors;
“Aoshen”	means 武漢奧深科技集團有限公司 (Wuhan Aoshen Technology Group Company Limited*), a company incorporated in the PRC with limited liability;
“Board”	means the board of Directors;
“Business Day”	means any day on which banks in the PRC and Hong Kong are generally open for business other than (i) a Saturday; (ii) a Sunday; or (iii) a public holiday;
“Changzhu Expressway”	means the Changsha to Zhuzhou expressway in the Hunan Province, the PRC, comprising the main line and the Zhuzhou connecting line;
“Company”	means GZI Transport Limited (越秀交通有限公司*), an exempted company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
“Completion”	means completion of the transfer of the 90% Equity Interest pursuant to the Agreement;
“Completion Date”	means the date on which the new business licence of the Target Company is issued by the relevant registration authority as described in paragraph 6(x), provided that the conditions precedent of the Agreement have been satisfied or waived (as the case may be);
“Completion Date Accounts”	means the audited accounts to be prepared by the auditor jointly appointed by the parties within 15 days of the Completion Date, and as adjusted upon the request of the Purchaser or the Vendors (if applicable);
“Completion Date Indebtedness Amount”	means the indebtedness of the Target Company as at the Completion Date as disclosed in the indebtedness report on the Target Company prepared by the auditor jointly appointed by the parties, to be provided to the parties at the same time as the Completion Date Accounts;
“connected persons”	has the meaning ascribed to it under the Listing Rules;
“Directors”	means the directors of the Company;

“Equity Interest”	means the 100% equity interest in the Target Company, which is owned as to 55% by Aoshen and as to 45% by Zhonghe;
“Escrow Account”	means the escrow account to be opened with the Wuhan Economic and Technology Development Area branch of the Industrial and Commercial Bank of China in the name of Aoshen pursuant to the Escrow Agreement;
“Escrow Agreement”	means the escrow agreement to be entered into between the Purchaser, Aoshen, the Lender, 湖南省高速公路投資集團有限公司 (Hunan Province Expressway Investment Group Company Limited*) and the escrow bank within 1 month of the Signing Date;
“GCA”	means Greater China Appraisal Limited, an independent qualified valuer appointed by the Group;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Lender”	渤海國際信托有限公司 (Bohai International Trust Co., Ltd.*), a company incorporated in the PRC with limited liability;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	means the loan of RMB 500,000,000 granted to Aoshen by the Lender pursuant to the credit loan agreement dated 12 November 2009 and for which the Share Pledge was given;
“Purchaser”	means 越秀(中國)交通基建投資有限公司 (Yue Xiu (China) Transportation Construction Investment Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“PRC”	means the People’s Republic of China, and for purposes of this announcement only, excluding Hong Kong;

“Reference Accounts Date”	means 31 August 2010;
“Reference Indebtedness Amount”	means RMB2,035.9 million, the indebtedness of the Target Company as at the Reference Accounts Date;
“Registration Documents”	means all the registration documents to be issued by the registration authorities pursuant to paragraphs 6(ix) and 6(x);
“RMB”	means Renminbi, the lawful currency of the PRC;
“Share Pledge”	means 49% Equity Interest of Aoshen which was pledged to the Lender pursuant to the Loan;
“Shareholders”	means the shareholders of the Company;
“Signing Date”	means 21 December 2010, the date on which the Purchaser and the Vendors entered into the Agreement;
“Signing Date Consideration”	means the reference amount of the 90% Equity Interest Consideration based on the Reference Indebtedness Amount, as described in paragraph 4;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Target Company”	means 湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Limited*), a company incorporated in the PRC with limited liability;
“Total Consideration”	means the consideration for the Acquisition;
“Undisclosed Indebtedness”	means any indebtedness (including contingent indebtedness) incurred or existing before the Completion Date and will be borne by the Target Company after the Completion Date, which the Vendors have failed to disclose to the Purchaser;
“Vendors”	means Aoshen and Zhonghe, each owning 55% and 45% of the Equity Interest respectively;

“Zhonghe” means 湖南中和威特投資有限公司 (Hunan Zhonghe Weite Investment Company Limited*), a company incorporated in the PRC with limited liability; and

“%” means percentage.

By Order of the Board
GZI Transport Limited
Zhang Zhaoxing
Chairman

Hong Kong, 21 December 2010

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

Executive Directors: ZHANG Zhaoxing (Chairman), LI Xinmin, LIANG Ningguang, LIU Yongjie, QIAN Shangning and WANG Shuhui

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

* *For identification purpose only*

21 December 2010

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

Dear Sirs,

Discloseable Transaction

We refer to the valuation report dated 21 December 2010 and prepared by Greater China Appraisal Limited (“**Valuer**”) in relation to the valuation of the fair value of the 100% equity interest in 湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Limited*), a company incorporated in the PRC with limited liability, as at 29 October 2010 (the “**Valuation**”). The Valuation, which is prepared based on discounted cash flow method, 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**”)

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

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

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

* *For identification purpose only*



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 HUNAN CHANGZHU EXPRESSWAY DEVELOPMENT
COMPANY LIMITED**

TO THE BOARD OF DIRECTORS OF GZI TRANSPORT LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “Valuation”) dated 21 December 2010 prepared by Greater China Appraisal Limited in respect of the appraisal of the fair value of the 100% equity interests in 湖南長株高速公路開發有限公司 (Hunan Changzhu Expressway Development Company Limited*) (the “Target Company”) is based. The Valuation is set out in the announcement of GZI Transport Limited (the “Company”) dated 21 December 2010 (the “Announcement”) in connection with the acquisition by the Company of a 100% equity interest in the Target Company by 越秀(中國)交通基建投資有限公司 (Yue Xiu (China) Transportation Construction Investment Company Limited*), a wholly-owned subsidiary of the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

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

Reporting Accountant’s Responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 December 2010

* *For identification purpose only*