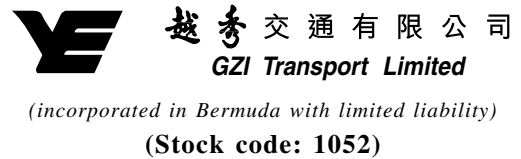


*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **JOINT ANNOUNCEMENT**

### **CONNECTED AND DISCLOSEABLE TRANSACTION INVESTMENT IN GUANGZHOU WESTERN SECOND RING EXPRESSWAY**

#### **Summary**

The directors of each of Guangzhou Investment and GZI Transport would like to announce that on 24 May 2004, Guangzhou Yue Peng, GHDC and Shenzhen Expressway had entered into a Joint Venture Agreement whereby Western Second Ring is to be established for the purpose of constructing and operating the Guangzhou Western Second Ring Expressway. The total investment amount of Western Second Ring is expected to be approximately RMB2.97 billion (equivalent to approximately HK\$2.80 billion), of which RMB1.00 billion (equivalent to approximately HK\$943.30 million) would be contributed by the joint venture partners of Western Second Ring as registered capital, with the remaining balance of the total investment amount to be raised by way of bank financing in the PRC by Western Second Ring.

Guangzhou Yue Peng would contribute RMB350.00 million (equivalent to approximately HK\$330.19 million), representing 35 per cent. of the registered capital of Western Second Ring and GHDC would contribute RMB400.00 million (equivalent to approximately HK\$377.36 million), representing 40 per cent. of the registered capital of Western Second Ring.

Guangzhou Yue Peng is an indirect wholly-owned subsidiary of GZI Transport. GZI Transport is a subsidiary of Guangzhou Investment and Guangzhou Yue Peng is therefore also an indirect subsidiary of Guangzhou Investment. Western Second Ring if established pursuant to the Joint Venture Agreement would be held as to 35 per cent. indirectly by GZI Transport through Guangzhou Yue Peng and hence would become an indirect associated company of Guangzhou Investment.

The directors of each of Guangzhou Investment and GZI Transport consider that the terms of the Joint Venture Agreement are negotiated with GHDC and Shenzhen Expressway on an arm's length basis, fair and reasonable and in the respective interests of Guangzhou Investment and its shareholders taken as a whole and of GZI Transport and its shareholders taken as a whole.

GHDC is a connected person of Guangzhou Investment and GZI Transport because GHDC is a substantial shareholder of five subsidiaries of GZI Transport. The entering into the Joint Venture Agreement by Guangzhou Yue Peng therefore constitutes a connected transaction of Guangzhou Investment and GZI Transport under rule 14A.13(6) of the Listing Rules and requires approval from the independent shareholders of Guangzhou Investment and GZI Transport.

The total capital commitment by Guangzhou Yue Peng under the Joint Venture Agreement exceeds 5 per cent. but does not exceed 25 per cent. under the consideration test set forth in rule 14.15 of the Listing Rules. Hence, the entering into the Joint Venture Agreement by Guangzhou Yue Peng also constitutes a discloseable transaction of Guangzhou Investment and GZI Transport under the Listing Rules.

Guangzhou Investment and GZI Transport would send a joint circular containing the details of the Joint Venture Agreement, a recommendation letter from the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport and a letter from an independent financial adviser to their respective shareholders as soon as practicable and in accordance with the provisions of the Listing Rules.

No shareholder of Guangzhou Investment and GZI Transport is interested in the Joint Venture Agreement or should abstain from voting at the shareholders' meeting. Both Guangzhou Investment and GZI Transport have obtained written confirmation approving the Joint Venture Agreement from their respective major shareholders which are a closely allied group of shareholders and together hold in the case of Guangzhou Investment approximately 51.2 per cent. and in the case of GZI Transport approximately 72.6 per cent. of the issued share capital of Guangzhou Investment and GZI Transport respectively. Accordingly, Guangzhou Investment and GZI Transport have applied to the Stock Exchange for a shareholders' meeting waiver of their obligation to convene a general meeting pursuant to rule 14A.43 of the Listing Rules on the basis that an independent shareholders' approval has been obtained by way of the written approval by the independent shareholders. If the waiver mentioned above is not granted, Guangzhou Investment and GZI Transport will convene a special general meeting for approval of the Joint Venture Agreement.

## **INTRODUCTION**

The directors of each of Guangzhou Investment and GZI Transport would like to announce that on 24 May 2004, Guangzhou Yue Peng, GHDC and Shenzhen Expressway had entered into a Joint Venture Agreement whereby Western Second Ring is to be established for the purpose of constructing and operating the Guangzhou Western Second Ring Expressway. The total investment amount of Western Second Ring is expected to be approximately RMB2.97 billion (equivalent to approximately HK\$2.80 billion), of which RMB1.00 billion (equivalent to approximately HK\$943.30 million) would be contributed by the joint venture partners of Western Second Ring as registered capital, with the remaining balance of the total investment amount to be raised by way of bank financing in the PRC by Western Second Ring. Such bank financing is not yet committed. The joint venture partners are not obliged to contribute to the balance of the total investment amount pursuant to the Joint Venture Agreement should such bank financing not be obtained.

## THE JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are set forth below:-

- Date: 24 May 2004
- Joint venture: 廣州市西二環高速公路有限公司 (for identification purposes, in English, Guangzhou Western Second Ring Expressway Company Limited)
- Operating period: A period of 30 years from the date of incorporation
- Joint venture partners:
- (1) GHDC (which is principally engaged in the implementation of highway infrastructure plans and the management of toll projects located in Guangzhou Municipality and the four cities in Guangzhou Municipality, namely, Panyu, Zengcheng, Conghua and Huadu)
  - (2) Guangzhou Yue Peng (which is an investment holding company)
  - (3) Shenzhen Expressway (which is principally engaged in the investment, construction, operation and management of toll highways and expressways in the PRC)
- Total investment amount and registered capital: Total investment amount is approximately RMB2.97 billion (equivalent to approximately HK\$2.80 billion), of which RMB1.00 billion (equivalent to approximately HK\$943.30 million) as registered capital would be contributed by GHDC as to 40 per cent., Guangzhou Yue Peng as to 35 per cent. and Shenzhen Expressway as to 25 per cent. The remaining balance of the total investment amount will be financed by bank financing in the PRC. Such bank financing is not yet committed. The joint venture partners are not obliged to contribute to the balance of the total investment amount pursuant to the Joint Venture Agreement should such bank financing not be obtained.
- Terms of making contribution to registered capital: Each joint venture partner should make its contribution to the registered capital in cash in RMB. The first instalment of contribution to be made by GHDC should be RMB100.00 million (equivalent to approximately HK\$94.34 million), by Guangzhou Yue Peng be RMB87.50 million (equivalent to approximately HK\$82.55 million) and by Shenzhen Expressway be RMB62.50 million (equivalent to approximately HK\$58.96 million) upon signing of the Joint

Venture Agreement. The balance of the registered capital should be contributed by the joint venture partners by stages in such amount and by such date as determined by the board of directors of Western Second Ring which is to be formed after the establishment of Western Second Ring.

- Business scope:** Planning, design, construction, operation, and management of Guangzhou Western Second Ring Expressway and related accessory services and facilities and fee-collection from the users thereof.
- Project:** Western Second Ring is set up first to complete the project in relation to the construction of Guangzhou Western Second Ring Expressway which is located at the centre of the Pearl River Delta in the PRC.
- Expected completion date of the Project:** By early 2007
- Profit and loss sharing:** Profits are shared among the joint venture partners in proportion to their respective interests in the registered capital. Losses are limited to the respective contributions made by the joint venture partners to the registered capital.
- Pre-emptive right in transfer of interest:** Transfer of interest in Western Second Ring by each joint venture partner is subject to the pre-emptive right of other joint venture partners under the same terms and conditions. However, transfer of interest by a joint venture partner to its subsidiaries or holding companies or the subsidiaries of such holding companies are not subject to the said pre-emptive right of other joint venture partners.
- Board representation:** GHDC, Guangzhou Yue Peng and Shenzhen Expressway are entitled to nominate four, three and two directors respectively to the board of directors of Western Second Ring which should comprise nine directors. The chairman who will be the legal representative should be nominated by GHDC. The two vice chairmen should be nominated by Guangzhou Yue Peng and Shenzhen Expressway respectively.
- Condition:** Completion of the Joint Venture Agreement is conditional upon all necessary internal corporate authorizations and approvals for the execution and performance of the Joint Venture Agreement being obtained.

Principal obligations: GHDC is mainly responsible for making application and obtaining pre-construction approvals for the Project, making its contribution to the registered capital according to the terms of the Joint Venture Agreement, assisting in the application and registration for the establishment of Western Second Ring, assisting Western Second Ring in application for tax preferential treatments, purchase of facilities, machinery, office equipment and other materials, set up of various utilities and communications facilities. Guangzhou Yue Peng and Shenzhen Expressway are responsible for making their respective contributions to the registered capital according to the terms of the Joint Venture Agreement.

## **INFORMATION ABOUT THE PROJECT**

The Project is related to the construction of Guangzhou Western Second Ring Expressway which is located at the centre of the Pearl River Delta. Guangzhou Western Second Ring Expressway will start from Guangsan Expressway near Xiaotang Town, Nanhai District, Foshan City and to end at Maoshan Village, Baiyun District, Guangzhou City, connecting Guangzhou Northern Second Ring Expressway. Guangzhou Western Second Ring Expressway would have six lanes with both directions and its total length would be approximately 39.13km.

Guangzhou Western Second Ring Expressway to be constructed will form an extensive road network with Guangzhou Northern Second Ring Expressway, Jing Zhu Expressway, Guanghua Expressway, New Airport Expressway, Guangsan Expressway and National Highways G324, G321, G105, G106, G107. This would enhance the function of national highways as the main route and backbone of the network and improve the road network planning of the surrounding regions, thus providing a better investment environment and advancing the economic development of Guangzhou Municipality and Pearl River Delta and even the whole Guangdong Province. Therefore, the Project would reinforce the status of Guangzhou Municipality as regional economical and cultural centre.

## **BACKGROUND FOR ENTERING INTO THE JOINT VENTURE AGREEMENT AND SOURCE OF FUNDING**

As a toll road investor and operator, GZI Transport invests in quality toll road and bridge projects. As disclosed in the annual report for the financial year ended 31 December 2003, GZI Transport had been considering investing in additional expressway projects located at the centre of the Pearl River Delta, such as Guangzhou Eastern Second Ring Expressway, Guangzhou Western Second Ring Expressway and Guangming Expressway (Guangzhou Eastern Second Ring Expressway Extension Line). The Joint Venture Agreement is one of the agreements that GZI Transport has planned to enter into for the above new projects. GZI Transport is in the process of negotiating for the participation in the construction, operation and management of the other two expressways and no terms have been agreed. The directors of Guangzhou Investment and GZI Transport have confirmed that Guangzhou Investment and

GZI Transport would comply with the relevant provisions of the Listing Rules should any such agreements are signed. Whether it can succeed in doing so depends on a number of factors such as market conditions, costs consideration and business plan and strategy. There can be no assurance that such transactions will proceed.

The capital contribution to be made by Guangzhou Yue Peng under the Joint Venture Agreement will be paid out of the internally generated financial resources of GZI Transport.

### **BENEFITS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT**

One of the principal business activities of Guangzhou Investment and the principal business activities of GZI Transport are engaging in operation of toll highways, expressways and bridges. GZI Transport, as a subsidiary of Guangzhou Investment, has been actively looking into opportunities for acquiring quality expressway projects at the centre of Pearl River Delta with growth potential and attractive investment returns to expand its toll expressway business. Guangzhou Western Second Ring Expressway if constructed pursuant to the Joint Venture Agreement would form an extensive road network with other highways and expressways currently operated by Guangzhou Investment and GZI Transport in Guangzhou Municipality and Pearl River Delta. This network would advance the economic development of Guangzhou Municipality and Pearl River Delta and even the whole Guangzhou Province. Therefore, the directors of each of Guangzhou Investment and GZI Transport envisage that expressway operation at the centre of Pearl River Delta would continue to grow due to increased traffic as a result of consistent development in trading and other businesses in the above region.

Guangzhou Yue Peng is an indirect wholly-owned subsidiary of GZI Transport. GZI Transport is a subsidiary of Guangzhou Investment and Guangzhou Yue Peng is therefore also an indirect subsidiary of Guangzhou Investment. Western Second Ring to be established pursuant to the Joint Venture Agreement would be held as to 35 per cent. by Guangzhou Yue Peng and hence would become an indirect associated company of GZI Transport and Guangzhou Investment. The directors of each of Guangzhou Investment and GZI Transport consider that investment in Western Second Ring would provide a stable source of income as well as earning base to Guangzhou Investment and GZI Transport thus further strengthening the profitability of both companies.

The directors of each of Guangzhou Investment and GZI Transport consider that the terms of the Joint Venture Agreement are negotiated with GHDC and Shenzhen Expressway on an arm's length basis, fair and reasonable and in the respective interests of Guangzhou Investment and its shareholders taken as a whole and of GZI Transport and its shareholders taken as a whole.

### **CONNECTED AND DISCLOSEABLE TRANSACTION**

GHDC is a connected person of Guangzhou Investment and GZI Transport because GHDC is a substantial shareholder holding 20 per cent., 49 per cent., 20 per cent., 45 per cent. and 20 per cent. respectively of five subsidiaries of GZI Transport (namely Guangzhou Taihe Highways Development Company Limited, Guangzhou Tailong Highways Development Company Limited, Guangzhou Weian Highways Development Company Limited, Guangzhou

Xinguang Highways Development Company Limited and Guangzhou Nanxin Highways Development Company Limited). Given that GZI Transport is a subsidiary of Guangzhou Investment, the above subsidiaries are also subsidiaries of Guangzhou Investment. The entering into Joint Venture Agreement by Guangzhou Yue Peng therefore constitutes a connected transaction of Guangzhou Investment and GZI Transport under rule 14A.13(6) of the Listing Rules and requires approval from the independent shareholders of Guangzhou Investment and GZI Transport.

The total capital commitment by Guangzhou Yue Peng under the Joint Venture Agreement exceeds 5 per cent. but does not exceed 25 per cent. under the consideration test set forth in rule 14.15 of the Listing Rules. Hence, the entering into the Joint Venture Agreement by Guangzhou Yue Peng also constitutes a discloseable transaction of Guangzhou Investment and GZI Transport under the Listing Rules.

The directors of each of Guangzhou Investment and GZI Transport have confirmed that save as aforesaid, GHDC is not a connected person of Guangzhou Investment or GZI Transport by virtue of any other connection with Guangzhou Investment or GZI Transport and that Shenzhen Expressway is an Independent Third Party. Therefore, no shareholders of Guangzhou Investment and GZI Transport are required to abstain from voting if Guangzhou Investment and GZI Transport were to convene a general meeting for the approval of the Joint Venture Agreement in accordance with the Listing Rules.

As at the date of this announcement, Yue Xiu and its associates beneficially own 3,229,315,248 shares in Guangzhou Investment (collectively, “**Group Shareholders of Guangzhou Investment**”), representing approximately 51.2 per cent. of the issued share capital of Guangzhou Investment. Such interest held by Group Shareholders of Guangzhou Investment has no difference from that held by other shareholders of Guangzhou Investment. As at the date of this announcement, Yue Xiu and its associates (including Guangzhou Investment) beneficially own 808,988,076 shares in GZI Transport (collectively, “**Group Shareholders of GZI Transport**”), representing approximately 72.6 per cent. of the issued share capital of GZI Transport. Such interest held by Group Shareholders of GZI Transport has no difference from that held by other shareholders of GZI Transport.

Based on the above, Group Shareholders of Guangzhou Investment and Group Shareholders of GZI Transport have no interests in the Joint Venture Agreement and are therefore entitled to vote in respect of the Joint Venture Agreement. Written confirmations from the Group Shareholders of Guangzhou Investment and the Group Shareholders of GZI Transport approving the Joint Venture Agreement have been obtained.

Guangzhou Investment and GZI Transport have applied to the Stock Exchange for a shareholders’ meeting waiver pursuant to which a written independent shareholders’ approval should be accepted in lieu of holding a general meeting pursuant to rule 14A.43 of the Listing Rules. If the waiver mentioned above is not granted, Guangzhou Investment and GZI Transport will convene a special general meeting for approval of the Joint Venture Agreement.

Guangzhou Investment and GZI Transport would send a joint circular containing the details of the Joint Venture Agreement, a recommendation letter from the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport and a letter from an independent financial adviser to their respective shareholders as soon as practicable and in accordance with the provisions of the Listing rules.

## **GENERAL INFORMATION ABOUT GUANGZHOU INVESTMENT**

Guangzhou Investment is principally engaged in property investment and development, operation of toll roads and bridges, manufacture and sale of newsprint and corrugated paper.

For the financial year ended 31 December 2003, the audited consolidated total turnover was approximately HK\$3,901.80 million with profit attributable to shareholders of approximately HK\$300.65 million. The audited consolidated total asset value as at 31 December 2003 was approximately HK\$25.60 billion.

As at the date of this announcement, the board of directors of Guangzhou Investment comprises the following members:-

### *Executive directors:-*

Mr. OU Bingchang (Chairman), Mr. CHEN Guangsong, Mr. LI Fei, Mr. LIANG Ningguang, Mr. XIAO Boyan, Mr. LIANG Yi, Mr. WONG Chi Keung and Ms. YAN Yuk Fung

### *Independent non-executive directors:-*

Mr. YU Lup Fat Joseph and Mr. LEE Ka Lun

## **GENERAL INFORMATION ABOUT GZI TRANSPORT**

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

For the financial year ended 31 December 2003, the audited consolidated total turnover was approximately HK\$405.57 million with profit attributable to shareholders of approximately HK\$223.82 million. The audited consolidated total asset value as at 31 December 2003 was approximately HK\$4.56 billion.

As at the date of this announcement, the board of directors of GZI Transport comprises the following members:-

### *Executive directors:-*

Mr. OU Bingchang (Chairman), Mr. LI Xinmin, Mr. CHEN Guangsong, Mr. CHEN Jiahong, Mr. LIANG Ningguang, Mr. XIAO Boyan, Mr. LIANG Yi, Mr. DU Liangying, Mr. DU Xinrang, Mr. ZHONG Ming, Mr. HE Zili and Mr. ZHANG Siyuan



*Non-executive director:-*

Mr. POON Jing

*Independent non-executive directors:-*

Mr. FUNG Ka Pun, Mr. LAU Hon Chuen Ambrose and Mr. CHEUNG Doi Shu

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the use of capitalized terms here shall have the following meanings:-

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“GHDC”	means 廣州市公路開發公司 (for identification purposes, in English, Guangzhou Highways Development Company), a PRC state-owned enterprise and a substantial shareholder of five subsidiaries of GZI Transport. Hence, GHDC is a connected person of Guangzhou Investment and GZI Transport;
“Guangzhou Investment”	means Guangzhou Investment Company Limited (越秀投資有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board and Singapore Exchange Securities Trading Limited;
“Guangzhou Yue Peng”	means 廣州越鵬信息有限公司 (for identification purposes, in English, Guangzhou Yue Peng Information Ltd.), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of GZI Transport and an indirect subsidiary of Guangzhou Investment;
“GZI Transport”	means GZI Transport Limited (越秀交通有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means The Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Board Committee of Guangzhou Investment”	means an independent committee of the board of directors of Guangzhou Investment appointed to advise the independent shareholders of Guangzhou Investment in respect of the Joint Venture Agreement, comprising the independent non-executive directors of Guangzhou Investment;
“Independent Board Committee of GZI Transport”	means an independent committee of the board of directors of GZI Transport appointed to advise the independent shareholders of GZI Transport in respect of the Joint Venture Agreement, comprising the independent non-executive directors of GZI Transport;
“independent shareholder(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Independent Third Party”	means any third party not being a connected person of Guangzhou Investment and GZI Transport (as defined in the Listing Rules);
“Joint Venture Agreement”	means a joint venture agreement dated 24 May 2004 and entered into between GHDC, Guangzhou Yue Peng and Shenzhen Expressway in respect of the formation of Western Second Ring;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Main Board”	means the securities market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
“PRC”	means the People’s Republic of China;
“Project”	means an expressway project relating to the construction of the Guangzhou Western Second Ring Expressway which is located at the centre of the Pearl River Delta in the PRC under the Joint Venture Agreement;
“RMB”	means renminbi yuan, the lawful currency of the PRC;
“Shenzhen Expressway”	means 深圳高速公路股份有限公司 (Shenzhen Expressway Company Limited), an Independent Third Party and a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;

“subsidiary”	has the same meaning as in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as at the date hereof and “subsidiaries” shall be construed accordingly;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules; and
“Western Second Ring”	means 廣州市西二環高速公路有限公司 (for identification purposes, in English, Guangzhou Western Second Ring Expressway Company Limited), a joint venture company to be established in the PRC with limited liability pursuant to the Joint Venture Agreement;
“Yue Xiu”	means Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司), a company incorporated in Hong Kong with limited liability and the ultimate holding company of Guangzhou Investment and hence the ultimate holding company of GZI Transport.

*For the purpose of this announcement, translation of RMB into HK\$ or vice versa has been calculated by using an exchange rate of RMB 1 = HK\$1.06.*

By order of the Board  
**Guangzhou Investment Company Limited**  
**OU Bingchang**  
*Chairman*

By order of the Board  
**GZI Transport Limited**  
**OU Bingchang**  
*Chairman*

Hong Kong, 24 May 2004

*Please also refer to the published version of this announcement in The Standard dated 25 May 2004.*