

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 TRANSACTION

SUMMARY

The GZI Board and GZT Board are pleased to announce that on 29th December 2005, Bentfield, an indirect wholly owned subsidiary of GZT, entered into a Sale and Purchase Agreement with GHDC, pursuant to which, Bentfield agreed to sell and GHDC agreed to purchase a six per cent. interest in Guangzhou Northern Second Ring Expressway Co., Ltd. for a total consideration of RMB66,100,000 (equivalent to approximately HK\$63,557,692) in cash. The only asset of Guangzhou Northern Second Ring Expressway Co., Ltd. is the entire interests in Guangzhou Northern Second Ring Expressway.

GHDC is a connected person of GZI and GZT because GHDC is a substantial shareholder of five subsidiaries of GZT which in turn is a subsidiary of GZI. The entering into the Sale and Purchase Agreement between Bentfield and GHDC therefore constitutes a connected transaction of each of GZI and GZT under Rule 14A.13(1)(a) of the Listing Rules.

In the case of GZI, based on the applicable size tests set forth in Rule 14.07 of the Listing Rules, the entering into the Sale and Purchase Agreement between Bentfield and GHDC constitutes a connected transaction which is only subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

In the case of GZT, based on the applicable size tests set forth in Rule 14.07 of the Listing Rules, the entering into the Sale and Purchase Agreement between Bentfield and GHDC constitutes a connected transaction for GZT which requires GZT's independent shareholders' approval under Rule 14A.17 of the Listing Rules.

No shareholder of GZT is interested in the Sale and Purchase Agreement or should abstain from voting at GZT's shareholders' meeting. GZT will obtain written confirmation under Rule 14A.43 of the Listing Rules from GZI which controls approximately 67.25 per cent. of the issued share capital of GZT giving the right to attend and vote at the general meeting to approve the Sale and Purchase Agreement if one were to be held. Accordingly,

GZT will apply to the Stock Exchange for a shareholders' meeting waiver of its obligation to convene a general meeting pursuant to Rule 14A.43 of the Listing Rules on the basis that an independent shareholders' approval will be obtained by way of the written approval by the independent shareholders. If the waiver mentioned above is not granted, GZT will convene a special general meeting for the approval of the Sale and Purchase Agreement.

GZT will send a circular containing, among other things, the details of the Sale and Purchase Agreement, a recommendation letter from the GZT Independent Board Committee and a letter from an independent financial adviser to the GZT Independent Board Committee as soon as practicable and in accordance with the provisions of the Listing Rules.

SALE AND PURCHASE AGREEMENT

Date

29th December 2005

Parties

Vendor: Bentfield, an indirect wholly owned subsidiary of GZT, the principal business of which is the holding of a 46 per cent. interest in Guangzhou Northern Second Ring Expressway Co., Ltd.

Purchaser: GHDC, a PRC state-owned enterprise, the principal business of which is the holding of interests in, and the development of, toll highways, expressways and bridges mainly in Guangdong Province, the PRC. GHDC holds a 24 per cent. interest in Guangzhou Northern Second Ring Expressway Co., Ltd.

The Disposal

Pursuant to the Sale and Purchase Agreement, Bentfield agreed to sell and GHDC agreed to buy a six per cent. interest in Guangzhou Northern Second Ring Expressway Co., Ltd., which is owned as to 46 per cent. by Bentfield; as to 24 per cent. by GHDC; and as to 30 per cent. by independent third parties prior to the completion of the Sale and Purchase Agreement.

Subsequent to the completion of the Sale and Purchase Agreement, Guangzhou Northern Second Ring Expressway Co., Ltd. will be owned as to 40 per cent. by Bentfield; as to 30 per cent. by GHDC; and as to 30 per cent. by independent third parties. There is no restriction on any subsequent sale of the six per cent. interest in Guangzhou Northern Second Ring Expressway Co., Ltd.

The composition of the board of directors and the management of Guangzhou Northern Second Ring Expressway Co., Ltd. are not expected to change as a result of the Disposal.

Consideration

The consideration for the Disposal, which has been arrived at after arm's length negotiations between Bentfield and GHDC with reference to the adjusted unaudited net assets value of Guangzhou Northern Second Ring Expressway Co., Ltd. as at 31st October 2005 is RMB66,100,000 (equivalent to approximately HK\$63,557,692) which represents a premium of approximately 28 per cent. and is acceptable to both Bentfield and GHDC. The GZI Directors and GZT Directors believe that the consideration for the Disposal is fair and reasonable. The consideration will be settled by GHDC in cash within 10 days after the completion of the conditions precedent as stipulated in the Sale and Purchase Agreement.

Disputes

In the unlikely event of any dispute between the two contracting parties concerning the terms and conditions of the Sale and Purchase Agreement, China International Economic and Trade Arbitration Commission will be appointed as the arbitrator, the decision of which shall be deemed final and legally binding on both contracting parties.

Conditions precedent

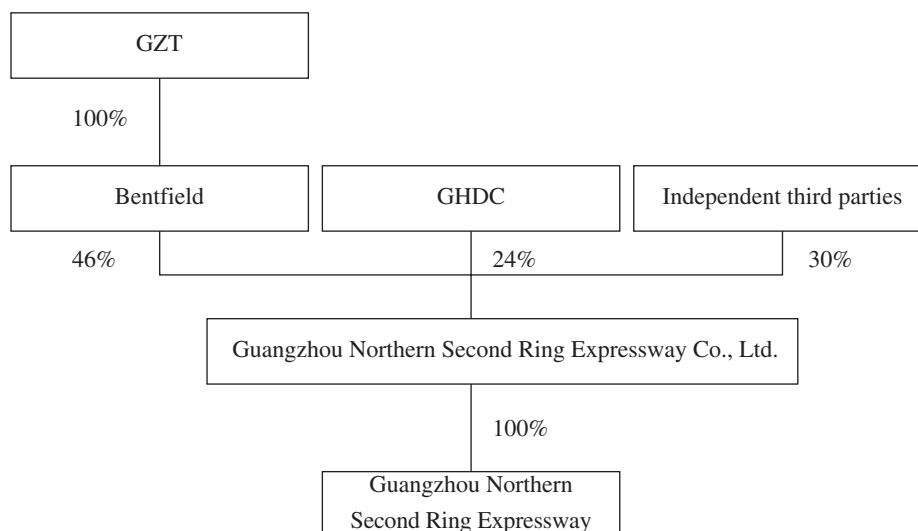
The Disposal is conditional on the completion of the following unless with the written waiver from both contracting parties:

- (a) the delivery of the Sale and Purchase Agreement duly executed by the authorized representatives of the contracting parties;
- (b) approval of the Sale and Purchase Agreement by the respective board of directors of the contracting parties;
- (c) approval of the Sale and Purchase Agreement by GZT Shareholders by way of an ordinary resolution; and
- (d) approval of the Disposal by the Department of Foreign Trade and Economic Cooperation of Guangdong Province in the PRC.

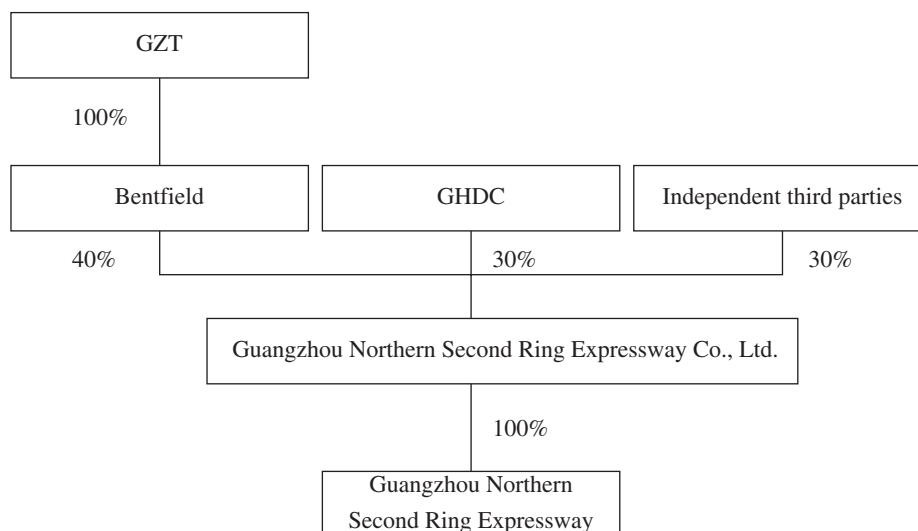
Shareholding structures before and after completion of the Disposal

The following charts depict the shareholding structures of Guangzhou Northern Second Ring Expressway Co., Ltd. before and after completion of the Disposal:

(i) *Before completion of the Disposal*



(ii) *After completion of the Disposal*



INFORMATION ON GUANGZHOU NORTHERN SECOND RING EXPRESSWAY CO., LTD.

Guangzhou Northern Second Ring Expressway Co., Ltd. is a sino-foreign joint venture company incorporated in the PRC, which is owned as to 46 per cent. by Bentfield, as to 24 per cent. by GHDC and as to 30 per cent. by independent third parties. Dividends of Guangzhou Northern Second Ring Expressway Co., Ltd. is shared among shareholders in proportion of their respective equity interests.

As at the date of this announcement, the only asset of Guangzhou Northern Second Ring Expressway Co., Ltd. is Guangzhou Northern Second Ring Expressway. The adjusted net assets value (which is adjusted from the PRC generally accepted accounting principles to Hong Kong generally accepted accounting principles) of Guangzhou Northern Second Ring Expressway Co., Ltd. was HK\$730,830,000 as at 31st December 2004, according to the latest annual report of GZT.

Based on the extract of the adjusted financial information as disclosed in the 2004 annual report and unaudited management accounts for the ten months ended 31st October 2005 of GZT, the turnover, net profit before and after taxation and extraordinary items of Guangzhou Northern Second Ring Expressway Co., Ltd. for the two financial years ended 31st December 2003 and 2004 and for the ten months ended 31st October 2005, all prepared in accordance with the Hong Kong generally accepted accounting principles are as follows:

	For the financial year ended 31st December		(unaudited) For the ten months ended 31st October
	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	97,813	186,447	210,790
Profit / (loss) before taxation and extraordinary items	(44,390)	29,939	85,573
Profit / (loss) after taxation and extraordinary items	(57,167)	22,337	79,011
Long term assets	2,314,881	2,279,181	2,286,588
Current assets	49,979	18,426	35,083
Current liabilities	(137,800)	(106,336)	(105,252)
Long term liabilities	(1,518,566)	(1,460,441)	(1,391,017)
Shareholders' fund	708,494	730,830	825,402
46% share of net assets	325,907	336,182	379,685
Goodwill	4,714	4,551	4,551
Carrying Value of 46% interest	330,621	340,733	384,236
Value attributable to the 6% interest:			
Profit/(loss) before taxation and extraordinary items	(2,663)	1,796	5,134
Profit/(loss) after taxation and extraordinary items	(3,430)	1,340	4,741
Net assets	42,510	43,850	49,524

Note: The accounting method applied by GZI and GZT to account for the investment in Guangzhou Northern Second Ring Expressway Co., Ltd. is equity accounting method which will remain unchanged upon completion of the Disposal.

INFORMATION ON GUANGZHOU NORTHERN SECOND RING EXPRESSWAY

Guangzhou Northern Second Ring Expressway is a six-lane 42.4 km expressway with nine toll stations. It provides connection to 11 provincial, national highways and expressways to the north of Guangzhou City. Guangzhou Northern Second Ring Expressway was completed and commenced toll collection in January 2002.

REASONS FOR THE DISPOSAL

GZT and its group companies are principally engaged in investment in and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province. To alleviate the situation associated with non-controlling equity interests in a joint venture company, that is GZT may not be able to exercise control over the policies and decisions in respect of the operations and management of such joint venture company, GZT intends to adjust its investment strategy in projects where less than a 50 per cent. equity interest is held or expects that no controlling interest could reasonably be obtained to either reduce the current equity interest level to 40 per cent. or to limit the future acquisition to not more than 40 per cent. equity interest level. But each project will be evaluated on a case by case basis. Where applicable, GZT will also strive to be the single largest shareholder in these projects.

The Disposal would enable GZT to implement its new investment strategy.

FINANCIAL EFFECTS ARISING FROM THE DISPOSAL

Upon completion of the Disposal, an estimated gain on disposal (before deduction of relevant expenses) of approximately HK\$13,439,961 will be accrued to GZI and GZT, the breakdown of which is as follows:

	<i>HK\$</i>
Consideration receivable	63,557,692
Decrease in carrying value (includes goodwill) as at 31st October 2005 from the disposal of a 6.0 per cent. interest in Guangzhou Northern Second Ring Expressway Co., Ltd.	<u>(50,117,731)</u>
Gain on disposal before deduction of relevant expenses	<u>13,439,961</u>

The GZT Directors intend to apply the net proceeds from the Disposal for the investment in Guangzhou Western Second Ring Expressway which is currently under construction, and for other toll expressway investment opportunities as they might arise.

The GZI Directors and GZT Directors (including the respective independent non-executive directors) believe that the terms of the Sale and Purchase Agreement are fair and reasonable as far as the GZI Shareholders and GZT Shareholders are respectively concerned, and the Sale and Purchase Agreement is in the interests of GZI and the GZI Shareholders, and GZT and the GZT Shareholders respectively taken as a whole.

CONNECTED TRANSACTION

GHDC is a connected person of GZI and GZT because GHDC is a substantial shareholder holding 20 per cent., 49 per cent., 20 per cent., 45 per cent. and 20 per cent. interests in five subsidiaries of GZT (namely Guangzhou Taihe, Guangzhou Tailong, Guangzhou Weian, Guangzhou Xinguang and Guangzhou Nanxin respectively) which in turn is a subsidiary of GZI. The entering into the Sale and Purchase Agreement between Bentfield and GHDC therefore constitutes a connected transaction of each of GZI and GZT under Rule 14A.13(1)(a) of the Listing Rules.

In the case of GZI, based on the applicable size tests set forth in Rule 14.07 of the Listing Rules, the entering into the Sale and Purchase Agreement between Bentfield and GHDC constitutes a connected transaction which is only subject to the reporting and announcement requirements and exempt from independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

In the case of GZT, based on the applicable size tests set forth in Rule 14.07 of the Listing Rules, the entering into the Sale and Purchase Agreement between Bentfield and GHDC constitutes a connected transaction for GZT which requires GZT's independent shareholders' approval under Rule 14A.17 of the Listing Rules.

The GZT Directors confirm that other than those interests in the five subsidiaries of GZT, GHDC is not a connected person of GZT by virtue of any other connection with GZT. Therefore, no GZT Shareholders are required to abstain from voting if GZT was to convene a general meeting for the approval of the Sale and Purchase Agreement in accordance with the Listing Rules.

GZT will obtain written confirmation under Rule 14A.43 of the Listing Rules from GZI which, as at the date of this announcement, controls 750,134,000 GZT Shares, representing approximately 67.25 per cent. of the issued share capital of GZT giving the right to attend and vote at the general meeting to approve the Sale and Purchase Agreement if one were to be held. Accordingly, GZT will apply to the Stock Exchange for a shareholders' meeting waiver of its obligation to convene a general meeting pursuant to Rule 14A.43 of the Listing Rules on the basis that an independent shareholders' approval will be obtained by way of the written approval by the independent shareholders. If the waiver mentioned above is not granted, GZT will convene a special general meeting for the approval of the Sale and Purchase Agreement.

PRINCIPAL BUSINESS OF GZI, GZT AND GHDC

GZI and its group companies are principally engaged in property development, management and investment, newsprint manufacturing and the operation of toll roads and bridges.

GZT and its group companies are principally engaged in investment in, and development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province.

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

GENERAL

A circular containing, among other things, details of the Sale and Purchase Agreement, a recommendation letter from the GZT Independent Board Committee and a letter from an independent financial adviser to the GZT Independent Board Committee will be despatched to the GZT Shareholders as soon as practicable and in accordance with the provisions of the Listing Rules.

DEFINITIONS

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

“Bentfield”	means Bentfield Limited, incorporated in the British Virgin Islands with limited liability, an indirect wholly owned subsidiary of GZT, the principal business of which is the holding of 46 per cent. interest in Guangzhou Northern Second Ring Expressway Co. Ltd.
“connected person”	has the meaning ascribed to it under the Listing Rules
“Disposal”	the transaction contemplated in the Sale and Purchase Agreement
“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 GZT. Hence, GHDC is a connected person of GZT and GZI
“Guangzhou Nanxin”	means Guangzhou Nanxin Highways Development Company Limited, a cooperative joint venture established in the PRC, the interest of which is held as to 80 per cent. by Superfield Limited, an indirect wholly owned subsidiary of GZT and as to 20 per cent. by GHDC

“Guangzhou Taihe”	means Guangzhou Taihe Highways Development Company Limited, a cooperative joint venture established in the PRC, the interest of which is held as to 80 per cent. by Ickleton Limited, an indirect wholly owned subsidiary of GZT and as to 20 per cent. by GHDC
“Guangzhou Tailong”	means Guangzhou Tailong Highways Development Company Limited, a cooperative joint venture established in the PRC, the interest of which is held as to 51 per cent. by Fortune Success Group Ltd., an indirect wholly owned subsidiary of GZT and as to 49 per cent. by GHDC
“Guangzhou Weian”	means Guangzhou Weian Highways Development Company Limited, a cooperative joint venture established in the PRC, the interest of which is held as to 80 per cent. by Teckstar Limited, an indirect wholly owned subsidiary of GZT and as to 20 per cent. by GHDC
“Guangzhou Xinguang”	means Guangzhou Xinguang Highways Development Company Limited, a cooperative joint venture established in the PRC, the interest of which is held as to 55 per cent. by Top Global Holdings Ltd., an indirect wholly owned subsidiary of GZT and as to 45 per cent. by GHDC
“GZI”	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 on the stock exchange operated by Singapore Exchange Securities Trading Limited
“GZI Board”	the board of directors of GZI
“GZI Directors”	the directors of GZI
“GZI shareholders”	shareholders of GZI
“GZT”	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
“GZT Board”	the board of directors of GZT
“GZT Directors”	the directors of GZT
“GZT Independent Board Committee”	means an independent committee of the GZT Board appointed to advise the independent shareholders of GZT in respect of the Sale and Purchase Agreement, comprising the independent non-executive directors of GZT

“GZT Shares”	shares of HK\$ 0.10 each in the share capital of GZT
“GZT Shareholders”	shareholders of GZT
“Hong Kong”	means The Hong Kong Special Administrative Region of the PRC
“independent third parties”	a party and its ultimate beneficial owner are third parties which are independent of GZI and GZT and connected persons of GZI and GZT
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“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
“per cent.”	means percentage
“PRC”	means the People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29th December 2005 entered into between Bentfield and GHDC in respect of the disposal of a six per cent. interest in Guangzhou Northern Second Ring Expressway Co., Ltd. for a consideration of RMB66,100,000
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meanings 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 constructed accordingly
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“HK\$” Hong Kong dollars, the legal currency in Hong Kong

“RMB” Renminbi, the legal currency in the PRC

An exchange rate of HK\$ 1.00 = RMB 1.04 is used in this announcement.

By order of the board of
Guangzhou Investment Company Limited
OU Bingchang
Chairman

By order of the board of
GZI Transport Limited
OU Bingchang
Chairman

Hong Kong, 29th December 2005

As at the date of this announcement, the GZI Board comprises: Mr. OU Bingchang as Chairman; Mr. LIANG Yi, Mr. CHEN Guangsong and Mr. LI Fei as executive directors; Mr. YU Lup Fat Joseph, Mr. LEE Ka Lun and Mr. LAU Hon Chuen Ambrose as independent non-executive directors.

As at the date of this announcement, the GZT Board comprises: Mr. OU Bingchang as Chairman; Mr. LI Xinmin, Mr. LI Zhuo, Mr. CHEN Guangsong, Mr. LIANG Ningguang, Mr. LIANG Yi, Mr. DU Xinrang, Mr. HE Zili, Mr. ZHANG Siyuan, Mr. TAN Yuande, Mr. HE Baiqing and Mr. ZHANG Huping as executive directors; Mr. POON Jing as non-executive director; Mr. FUNG Ka Pun, Mr. LAU Hon Chuen Ambrose and Mr. CHEUNG Doi Shu as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.