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If you have sold or otherwise transferred all your shares in Guangzhou Investment Company Limited or GZI Transport Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)



越秀交通有限公司

GZI Transport Limited

(Incorporated in Bermuda with limited liability)

CONNECTED AND DISCLOSEABLE TRANSACTION

Investment in Guangzhou Western Second Ring Expressway

**Independent financial adviser to the respective independent board committees of
Guangzhou Investment Company Limited and GZI Transport Limited**



Kim Eng Corporate Finance (Hong Kong) Limited

A letter from the boards of directors of the Companies is set out on pages 4 to 11 of this circular.

A letter from the independent board committees of the Companies is set out on pages 12 and 13 of this circular. A letter from Kim Eng, the independent financial adviser to the independent board committees of the Companies, is set out on pages 14 to 19 of this circular.

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DEFINITIONS

Unless the context requires otherwise, the following expressions have the following meanings in this circular:

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Companies”	Guangzhou Investment and GZI Transport;
“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;
“Group Shareholders of Guangzhou Investment”	Yue Xiu, Bosworth International Limited, Novena Pacific Limited, Morrison Pacific Limited, Greenwood Pacific Limited, Goldstock International Limited and Yue Xiu Finance Company Limited
“Group Shareholders of GZI Transport”	Yue Xiu, Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited, Lawson Enterprises Limited, Guangzhou Investment, Yue Xiu Finance Company Limited and Greenwood Pacific Limited
“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 Investment Group” or “Group”	Guangzhou Investment and its subsidiaries;
“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;
“GZI Transport Group”	GZI Transport and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;

DEFINITIONS

“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, namely, Mr. YU Lup Fat Joseph and Mr. LEE Ka Lun;
“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, namely, Mr. FUNG Ka Pun, Mr. LAU Hon Chuen Ambrose and Mr. CHEUNG Doi Shu;
“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;
“Kim Eng”	Kim Eng Corporate Finance (Hong Kong) Limited, a licensed corporation to carry out type 6 regulated activities under the SFO, who has been appointed as the independent financial adviser to give advice to the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport in respect of the terms and conditions of the Joint Venture Agreement;
“Latest Practicable Date”	10 June 2004, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
“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;

DEFINITIONS

“PRC”	means the People’s Republic of China other than Hong Kong, Taiwan and the Special Administrative Region of Macau for the purposes this circular;
“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;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
“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;
“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; and
“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, which through its subsidiaries has an indirect shareholding in Guangzhou Investment and GZI Transport since 1992 and 1996 respectively.

In this circular, certain amounts quoted in RMB have been translated into Hong Kong dollars at the reference rate of HK\$1.00 to RMB1.06 for information purposes only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.



越 秀 投 資 有 限 公 司
GUANGZHOU INVESTMENT COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

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
Ms. YAN Yuk Fung

Registered office:

24th Floor, Yue Xiu Building
160-174 Lockhart Road
Wanchai
Hong Kong

Independent non-executive directors:

Mr. YU Lup Fat Joseph
Mr. LEE Ka Lun



越 秀 交 通 有 限 公 司
GZI Transport Limited

(incorporated in Bermuda with limited liability)

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
Mr. ZHANG Siyuan

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office and principal place of business:

23rd Floor, Yue Hing Building
103 Hennessy Road
Wanchai
Hong Kong

Non-Executive directors:

Mr. FUNG Ka Pun*
Mr. LAU Hon Chuen Ambrose*
Mr. POON Jing
Mr. CHEUNG Doi Shu*

* *Independent non-executive directors*

LETTER FROM THE BOARDS OF DIRECTORS

14 June 2004

To the shareholders of Guangzhou Investment and GZI Transport

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

Investment in Guangzhou Western Second Ring Expressway

INTRODUCTION

Reference was made to a joint announcement dated 24 May 2004 issued by the Companies, in which the directors of each of Guangzhou Investment and GZI Transport announced that on 24 May 2004, Guangzhou Yue Peng, GHDC and Shenzhen Expressway had entered into the 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 purpose of this circular is to provide the shareholders of Guangzhou Investment and GZI Transport with further details of the Joint Venture Agreement and to set out the opinions of the Independent Board Committee of Guangzhou Investment and Independent Board Committee of GZI Transport and the advice of Kim Eng to the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport.

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

LETTER FROM THE BOARDS OF DIRECTORS

- 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.

LETTER FROM THE BOARDS OF DIRECTORS

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.

LETTER FROM THE BOARDS OF DIRECTORS

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. 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 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 be signed.

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

LETTER FROM THE BOARDS OF DIRECTORS

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

As at the date of the Joint Venture Agreement, 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 Xinguan 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

LETTER FROM THE BOARDS OF DIRECTORS

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 Latest Practicable Date, Group Shareholders of Guangzhou Investment beneficially own 3,229,315,248 shares in Guangzhou Investment, representing approximately 51.1 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 Latest Practicable Date, Group Shareholders of GZI Transport (including Guangzhou Investment) beneficially own 808,988,076 shares in 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, and the Stock Exchange has granted, 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.

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.

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.

LETTER FROM THE BOARDS OF DIRECTORS

RECOMMENDATION

The Independent Board Committee of Guangzhou Investment comprising all the independent non-executive directors of Guangzhou Investment and the Independent Board Committee of GZI Transport comprising all the independent non-executive directors of GZI Transport have been appointed to consider and advise their respective shareholders in respect of the terms and conditions of the Joint Venture Agreement. Kim Eng has been appointed as the independent financial adviser to advise the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport in this respect.

Your attention is drawn to the letter from the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport as set out on pages 12 to 13 of this circular and the letter from Kim Eng as set out on pages 14 to 19 of this circular.

Having taken into account the advice of Kim Eng, the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport are of the opinion that the terms of the Joint Venture Agreement are on normal commercial terms and are 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.

FURTHER INFORMATION

Further information of the Companies is set out in Appendix I to this circular for your information.

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

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



14 June 2004

To the shareholders of Guangzhou Investment and GZI Transport

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION

Investment in Guangzhou Western Second Ring Expressway

We refer to the joint circular dated 14 June 2004 to the shareholders of Guangzhou Investment and GZI Transport (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context of this letter otherwise requires.

The Independent Board Committee of Guangzhou Investment has been appointed by the board of directors of Guangzhou Investment to consider and advise the shareholders of Guangzhou Investment on, and the Independent Board Committee of GZI Transport has been appointed by the board of directors of GZI Transport to consider and advise the shareholders of GZI Transport on, the terms and conditions of the Joint Venture Agreement, details of which are set out in the letter from the boards of directors contained in the Circular. Kim Eng has been appointed as the independent financial adviser to advise the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport in this respect.

Under the Listing Rules, the Joint Venture Agreement constitutes a connected transaction and also a discloseable transaction of Guangzhou Investment and GZI Transport. We wish to draw your attention to the letter from Kim Eng to the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport, which contains its advice to us in respect of the terms and conditions of the Joint Venture Agreement as set out on pages 14 to 19 of the Circular. We have discussed that letter and the advice contained therein with Kim Eng.

LETTER FROM THE INDEPENDENT BOARD COMMITTEES

Having considered, among other things, the factors and reasons considered by, and the advice of, Kim Eng, as stated in the aforementioned letter in respect of the investment in Western Second Ring, we are of the opinion, and concur with the views of Kim Eng, that the terms of the Joint Venture Agreement are on normal commercial terms and are 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.

Yours faithfully,

**Independent Board Committee of
Guangzhou Investment Company Limited**

YU Lup Fat Joseph LEE Ka Lun

Independent non-executive directors

Yours faithfully,

**Independent Board Committee of
GZI Transport Limited**

FUNG Ka Pun LAU Hon Chuen Ambrose CHEUNG Doi Shu

Independent non-executive directors

LETTER FROM KIM ENG

The following is the text of a letter of advice from Kim Eng Corporate Finance (Hong Kong) Limited, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee of Guangzhou Investment and GZI Transport in connection with the Joint Venture Agreement.



Kim Eng Corporate Finance (Hong Kong) Limited
Room 1901, Bank of America Tower,
12 Harcourt Road,
Central
Hong Kong

14 June 2004

The Independent Board Committee of
Guangzhou Investment Company Limited

The Independent Board Committee of
GZI Transport Limited

Dear Sirs,

CONNECTED AND DISCLOSEABLE TRANSACTION INVESTMENT IN GUANGZHOU WESTERN SECOND RING EXPRESSWAY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport on the terms and conditions of the Joint Venture Agreement. Details of the Joint Venture Agreement are set out in the letter from the boards of directors contained in the joint circular to the shareholders of the Companies dated 14 June 2004 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 24 May 2004, Guangzhou Yue Peng, an indirect wholly owned subsidiary of GZI Transport entered into the Joint Venture Agreement with GHDC and Shenzhen Expressway pursuant to which Western Second Ring is to be established for the purpose of constructing and operating the Guangzhou Western Second Ring Expressway which is located at the centre of the Pearl River Delta in the PRC. Western Second Ring is to be held as to 35 per cent. by Guangzhou Yue Peng and hence will become an indirect associated company of GZI Transport.

Given that GHDC is a substantial shareholder of five subsidiaries of GZI Transport, it is a connected person of the Companies. The entering into the Joint Venture Agreement constitutes a connected transaction to the Companies under Rule 14A.13(6) of the Listing Rules and requires approval from their respective independent shareholders. The Joint Venture Agreement also constitutes a discloseable transaction to the Companies under Rule 14.15 of the Listing Rules.

LETTER FROM KIM ENG

The Companies have applied to the Stock Exchange for, and the Stock Exchange has granted, 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. Written confirmations from the group of shareholders of the Companies approving the Joint Venture Agreement have been obtained.

INDEPENDENT BOARD COMMITTEES

The board of directors of Guangzhou Investment currently consists of 8 executive directors, namely Mr. OU Bingchang, Mr. CHEN Guangsong, Mr. LI Fei, Mr. LIANG Ningguang, Mr. XIAO Boyan, Mr. LIANG Yi, Mr. WONG Chi Keung and Ms. YAN Yuk Fung; and 2 independent non-executive directors, namely Mr. YU Lup Fat Joseph and Mr. LEE Ka Lun, who are considered to be independent pursuant to Rule 3.13 of the Listing Rules.

The board of directors of GZI Transport currently consists of 12 executive directors, namely Mr. OU Bingchang, 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; 1 non-executive director, namely Mr. POON Jing; and 3 independent non-executive directors, namely Mr. FUNG Ka Pun, Mr. LAU Hon Chuen Ambrose and Mr. CHEUNG Doi Shu, who are considered to be independent pursuant to Rule 3.13 of the Listing Rules.

The Independent Board Committee of Guangzhou Investment, comprising Mr. YU Lup Fat, Joseph and Mr. LEE Ka Lun, being all the independent non-executive directors of Guangzhou Investment and the Independent Board Committee of GZI Transport, comprising Mr. FUNG Ka Pun, Mr. LAU Hon Chuen, Ambrose and Mr. CHEUNG Doi Shu, being all the independent non-executive directors of GZI Transport, will be formed to consider the terms and conditions of the Joint Venture Agreement and make an advice to the respective independent shareholders of Guangzhou Investment and GZI Transport in this connection.

BASIS OF OUR OPINION

In forming our opinion, we have relied on the information and representations as contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete at the time when they were made and continue to be true, accurate and complete as at the date of the Circular.

We have also assumed that all statements of belief, opinion and intention made by the directors of the Companies and as contained in the Circular were reasonably made by them after their due enquiry and careful consideration and that there are no other facts the omission of which would make any statement in the Circular misleading in any material respect.

Notwithstanding the aforesaid, we consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. Our review and analyses were

LETTER FROM KIM ENG

based upon the information provided by the Companies which include among others, the articles of association of Western Second Ring, the executed Joint Venture Agreement entered into between GHDC, Guangzhou Yue Peng and Shenzhen Expressway dated 24 May 2004 and the audited financial statements of the Companies for the years ended 31 December 2002 and 2003.

Furthermore, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the directors of the Companies. As Western Second Ring is not yet established, we have not conducted any independent in-depth investigation into any of its business affairs, financial position and/or future prospects nor have we carried out any independent verification of the information supplied therefor.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the terms and conditions of the Joint Venture Agreement, we have taken into consideration the following principal factors and reasons:

1. Background to and reasons for the entering into the Joint Venture Agreement

One of principal business activities of Guangzhou Investment and the principal business activities of GZI Transport are engaging in the operation of toll highways, expressways and bridges.

As stated in the letter from the boards of directors of the Circular, GZI Transport has been actively looking into opportunities for acquiring quality expressway projects at the center of Pearl River Delta with growth potential and attractive investment returns to expand its toll expressway business. Guangzhou Western Second Ring Expressway, to be constructed pursuant to the Joint Venture Agreement, would form an extensive road network with other highways and expressways currently operated by GZI Transport in the Guangzhou Municipality and the Pearl River Delta and that this network would advance the economic development of Guangzhou Municipality and Pearl River Delta and even the whole Guangdong Province. Therefore, the directors of the Companies (the “Companies Directors”) 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. Taking into consideration the economic development of the PRC, in particular the Pearl River Delta area, and the proposed development of the toll bridge linking Hong Kong, Macau and the Guangdong Province, we consider that the entering into the Joint Venture Agreement for the development of the Project would allow the Group to capture the benefits that will be generated from toll roads investment as a result of the growing traffic volumes around the Pearl River Delta region.

As stated in its 2003 annual report, GZI Transport had been considering investing in additional expressway projects located in the centre of the Pearl River Delta, such as Guangzhou Eastern Second Ring Expressway, Guangzhou Western Second Ring Expressway and the 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.

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Having considered the Group's existing businesses strategy and economic factors discussed above, we are of the view that the entering into the Joint Venture Agreement is a logical move to the Group; it is in line with the Group's existing business and its business strategy to seek for potential investment projects that will broaden its income base in the future.

2. Principal terms of the Joint Venture Agreement

Some of the principal terms of the Joint Venture Agreement that we have considered are listed out below:

Total Investment and Registered Capital

Western Second Ring will be established in the PRC with limited liability. Pursuant to the Joint Venture Agreement, the total investment amount is approximately RMB2.97 billion (equivalent to approximately HK\$2.8 billion) of which RMB1.00 billion (equivalent to approximately HK\$943.30 million) as registered capital would be contributed by GDHC 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. We consider that the injection of capital in proportion to the respective shareholdings of GDHC, Guangzhou Yue Peng and Shenzhen Expressway (collectively, the "**Joint Venture Partners**") is on a fair and reasonable basis.

Profit and Loss Sharing

Under the terms of the Joint Venture Agreement, profits are to be shared among the Joint Venture Partners in proportion to their respective interests in the registered capital and losses are limited to the respective contributions made by the Joint Venture Partners to the registered capital, the basis of which is considered by us to be fair and reasonable.

Board Representation

The board of directors of Western Second Ring will comprise 9 members, of which 4 will be appointed by GDHC, 3 will be appointed by Guangzhou Yue Peng and 2 by Shenzhen Expressway. The basis of board composition of Western Second Ring is relative to the respective shareholding percentages of each of the Joint Venture Partners, which in our view, is fair and reasonable.

Pre-emptive Right

Transfer of interest in Western Second Ring by each of the Joint Venture Partners 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.

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We are of the view that this kind of provision is common to most joint venture agreements and is fair and reasonable to all of the Joint Venture Partners concerned.

3. **Funding for the Joint Venture Agreement**

Registered Capital Contribution

Initial capital contributions shall be made by each of the Joint Venture Partners as to RMB87.50 million (equivalent to approximately HK\$82.55 million) by Guangzhou Yue Peng, as to RMB100 million (equivalent to approximately HK\$94.34 million) by GDHC and as to RMB62.50 million (equivalent to approximately HK\$58.96 million) by Shenzhen Expressway upon signing of the Joint Venture Agreement. The remaining balance of the registered capital of RMB750 million shall 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. Such pro-rata capital contribution arrangement is, in our view, fair and reasonable.

Remaining Balance of Total Investment Amount

The difference between the total investment amount and the registered capital of Western Second Ring, being approximately RMB1.97 billion (equivalent to approximately HK\$1.86 billion), will be financed by bank financing in the PRC. As stated in the letter from the boards of directors of the Circular, such bank financing is not yet committed and 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.

4. **Financial effects of the Joint Venture Agreement on the Group**

Based on the business plan of Western Second Ring and pursuant to the terms of the Joint Venture Agreement, the completion date of the Project is expected to be around early 2007. In view of the fact that the Group shall have a resultant 35 per cent. effective equity interest in Western Second Ring, the Group is expected to benefit from being able to account for the 35 per cent. share of any earnings contribution to be generated by Western Second Ring on an equity accounting basis. We are however not in a position to estimate the operating results of Western Second Ring and therefore cannot quantify the effects on the Group's future results.

Based on its 2003 annual report, GZI Transport had a total bank and cash balances of approximately HK\$252 million as at 31 December 2003, and had a positive net operating cash-flow of approximately HK\$268 million for the year ended 31 December 2003. GZI Transport's requirement for the initial investment in Western Second Ring through Guangzhou Yue Peng of approximately RMB87.50 million (equivalent to approximately HK\$82.55 million) will be funded by internally generated resources of GZI Transport. The Group's cash position is expected to be reduced after making the initial registered capital contribution to Western Second Ring. Assuming the present liquid internal resources of the Group have been maintained at

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similar level as those as at 31 December 2003, we consider that the Group will have sufficient internal resources to satisfy the initial capital investment requirement. Hence there should not be any material and immediate impact on the Group's overall working capital position and level of gearing ratio as a result of making such an investment.

In our view, save for the minimal effect on the Group's working capital, the investment in Western Second Ring, which is a new set up, will have no significant negative effect on the present net asset value of Companies.

RECOMMENDATION

Having considered the above principal factors and reasons including but not limited to the pro-rata capital contribution and profits and losses sharing arrangement which are considered equitable to all Joint Venture Partners concerned, we are of the view that the terms of the Joint Venture Agreement are on normal commercial terms and are 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.

Yours faithfully,
For and on behalf of
Kim Eng Corporate Finance (Hong Kong) Limited
Winnie Kong
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS FOR GUANGZHOU INVESTMENT

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

(a) Long positions in shares of Guangzhou Investment and its associated corporations

Directors	Interests in Guangzhou Investment or its associated corporation	Capacity in holding interest	Approximate % of shareholding in the same class of securities	Number and class of securities
Mr. Liang Ningguang*	Guangzhou Investment	Beneficial owner	0.01	400,000 shares
Mr. Xiao Boyan*	Guangzhou Investment	Beneficial owner	0.01	500,000 shares
Mr. Wong Chi Keung	Guangzhou Investment	Beneficial owner	0.02	1,200,000 shares
	GZI Transport	Beneficial owner	0.04	474,000 shares
Mr. Lee Ka Lun	Guangzhou Investment	Beneficial owner	0.02	1,050,000 shares

(b) Long positions in underlying shares of equity derivatives of Guangzhou Investment and its associated corporations

Directors	Interests in Guangzhou Investment or its associated corporation	Capacity in holding interest	Date of grant (<i>Note</i>)	Exercise price per share HK\$	Number of outstanding share options
Mr. Ou Bingchang*	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	9,000,000
Mr. Chen Guangsong*	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	8,000,000
Mr. Li Fei	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	7,000,000
Mr. Liang Ningguang*	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	7,000,000
Mr. Xiao Boyan*	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	7,000,000
Mr. Liang Yi*	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	7,000,000
Ms. Yan Yuk Fung	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	3,000,000
Mr. Yu Lup Fat Joseph	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	3,500,000
Mr. Lee Ka Lun	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	2,450,000

Note:

The share options are exercisable from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30 per cent.; and (ii) 60 per cent. thereof are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant respectively.

* Mr. Ou Bingchang, Mr. Chen Guangsong, Mr. Liang Ningguang, Mr. Xiao Boyan and Mr. Liang Yi are also directors of GZI Transport.

As at the Latest Practicable Date, none of the directors of Guangzhou Investment or the experts named at paragraph 6(a) below in this circular had any direct or indirect interests in any assets which have since 31 December 2003 (being the date to which the latest published audited consolidated accounts of the Guangzhou Investment Group were made up) been acquired or disposed of by or leased to any member of the Guangzhou Investment Group, or are proposed to be acquired or disposed of by or leased to any member of the Guangzhou Investment Group.

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

3. DISCLOSURE OF DIRECTORS' INTERESTS FOR GZI TRANSPORT

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

(a) Long positions in shares of GZI Transport and its associated corporations

Directors	Interests in GZI Transport or its associated corporation	Capacity in holding interest	Approximate % of shareholding in the same class of securities	Number and class of securities
Mr. Liang Ningguang**	Guangzhou Investment	Beneficial owner	0.01	400,000 shares
Mr. Xiao Boyan**	Guangzhou Investment	Beneficial owner	0.01	500,000 shares
Mr. Chen Jiahong	GZI Transport	Beneficial owner	0.02	210,000 shares
Mr. Du Liangying	GZI Transport	Beneficial owner	0.01	78,000 shares
Mr. Du Xinrang	GZI Transport	Beneficial owner	0.04	488,000 shares
Mr. He Zili	GZI Transport	Beneficial owner	0.27	3,000,000 shares
Mr. Zhang Siyuan	GZI Transport	Beneficial owner	0.05	580,000 shares
	Guangzhou Investment	Beneficial owner	0.01	490,000 shares

(b) Long positions in underlying shares of equity derivatives of GZI Transport and its associated corporations

Directors	Interests in GZI Transport or its associated corporation	Capacity in holding interest	Date of grant	Exercise price per share HK\$	Number of outstanding share options (Note)
Mr. Ou Bingchang**	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	9,000,000
Mr. Chen Guangsong**	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	8,000,000
Mr. Liang Ningguang**	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	7,000,000
Mr. Xiao Boyan**	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	7,000,000
Mr. Liang Yi**	Guangzhou Investment	Beneficial owner	02/06/2003	0.5400	7,000,000

Note:

The share options are exercisable from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30 per cent.; and (ii) 60 per cent. thereof are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of grant respectively.

** Mr. Ou Bingchang, Mr. Chen Guangsong, Mr. Liang Ningguang, Mr. Xiao Boyan and Mr. Liang Yi are also directors of Guangzhou Investment.

As at the Latest Practicable Date, none of the directors of GZI Transport or the experts named at paragraph 6(a) below in this circular had any direct or indirect interests in any assets which have since 31 December 2003 (being the date to which the latest published audited consolidated accounts of the GZI Transport Group were made up) been acquired or disposed of by or leased to any member of the GZI Transport Group, or are proposed to be acquired or disposed of by or leased to any member of the GZI Transport Group.

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

4. SUBSTANTIAL SHAREHOLDERS OF GUANGZHOU INVESTMENT

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any director or chief executive (if any) of Guangzhou Investment, no person (not being a director or chief executive (if any) of the Guangzhou Investment nor any member of the Guangzhou Investment Group), has an interest or short position in the shares or underlying shares of Guangzhou Investment which would fall

to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or who is directly or indirectly interested in 10 per cent. or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of Guangzhou Investment.

Name	Interests in which member of the Guangzhou Investment Group	Capacity in holding interest	Long/short position	Approximate % of shareholding in the same class of securities	Number and class of securities held
Yue Xiu (<i>Note 1</i>)	Guangzhou Investment	Beneficial owner and interest of controlled corporation	Long position	51.12	3,229,315,248 shares
J. P. Morgan Chase & Co. (<i>Note 2</i>)	Guangzhou Investment	Investment manager and approved lending agent	Long position	7.92	500,092,000 shares

Notes:

- Yue Xiu has direct holding of 10,928,184 shares in Guangzhou Investment and is deemed by the SFO to be interested in 3,218,387,064 shares in Guangzhou Investment as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Capacity in holding interest	Long/short position	Number and class of securities held
Excellence Enterprises Co., Ltd. (“ Excellence ”) (<i>Note i</i>)	Interest of controlled corporation	Long position	3,174,015,064 shares
Bosworth International Limited	Beneficial owner	Long position	2,279,312,904 shares
Sun Peak Enterprises Ltd. (“ Sun Peak ”) (<i>Note ii</i>)	Interest of controlled corporation	Long position	565,683,000 shares
Novena Pacific Limited (“ Novena ”)	Beneficial owner	Long position	565,683,000 shares
Shine Wah Worldwide Limited (“ Shine Wah ”) (<i>Note iii</i>)	Interest of controlled corporation	Long position	158,049,000 shares
Morrison Pacific Limited (“ Morrison ”)	Beneficial owner	Long position	158,049,000 shares

Name	Capacity in holding interest	Long/short position	Number and class of securities held
Perfect Goal Development Co., Ltd. (“ Perfect Goal ”) (Note iv)	Interest of controlled corporation	Long position	135,737,000 shares
Greenwood Pacific Limited (“ Greenwood ”)	Beneficial owner	Long position	135,737,000 shares
Seaport Development Limited (“ Seaport ”) (Note v)	Interest of controlled corporation	Long position	35,233,160 shares
Goldstock International Limited (“ Goldstock ”)	Beneficial owner	Long position	35,233,160 shares
Yue Xiu Finance Company Limited	Beneficial owner	Long position	44,372,000 shares

- i. Excellence, a wholly-owned subsidiary of Yue Xiu, is deemed by the SFO to be interested in 3,174,015,064 shares in Guangzhou Investment as a result of its indirect holding of such shares through its wholly-owned subsidiaries.
 - ii. Sun Peak is deemed by the SFO to be interested in 565,683,000 shares in Guangzhou Investment as a result of its indirect holding of such shares through its wholly-owned subsidiary, Novena.
 - iii. Shine Wah is deemed by the SFO to be interested in 158,049,000 shares in Guangzhou Investment as a result of its indirect holding of such shares through its wholly-owned subsidiary, Morrison.
 - iv. Perfect Goal is deemed by the SFO to be interested in 135,737,000 shares in Guangzhou Investment as a result of its indirect holding of such shares through its wholly-owned subsidiary, Greenwood.
 - v. Seaport is deemed by the SFO to be interested in 35,233,160 shares in Guangzhou Investment as a result of its indirect holding of such shares through its wholly-owned subsidiary, Goldstock.
2. The capacity of J. P. Morgan Chase & Co. in holding the 500,092,000 shares in Guangzhou Investment is, as to 479,670,000 shares, as investment manager and, as to 20,422,000 shares, as approved lending agent.

5. SUBSTANTIAL SHAREHOLDERS OF GZI TRANSPORT

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any director or chief executive (if any) of GZI Transport, no person (not being a director or chief executive (if any) of GZI Transport nor any member of the GZI Transport Group), has an interest or short position in the shares or underlying shares of GZI Transport which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are

taken or deemed to have under such provision of the SFO) or who is directly or indirectly interested in 10 per cent. or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of GZI Transport.

Name	Interests in which member of the GZI Transport Group	Capacity in holding interest	Long/short position	Approximate % of shareholding in the same class of securities	Number and class of securities held
Yue Xiu (<i>Note 1</i>)	GZI Transport	Beneficial owner and interest of controlled corporation	Long position	72.60	808,988,076 shares
Guangzhou Investment (<i>Note 2</i>)	GZI Transport	Beneficial owner and interest of controlled corporation	Long position	67.32	750,134,000 shares
First Dynamic Limited (<i>Note 3</i>)	GZI Transport	Interest of controlled corporation	Long position	67.30	750,000,000 shares
Round Table Holdings Limited (<i>Note 4</i>)	GZI Transport	Interest of controlled corporation	Long position	67.30	750,000,000 shares
GZI Transport (Holdings) Limited (<i>Note 5</i>)	GZI Transport	Interest of controlled corporation	Long position	67.30	750,000,000 shares
Housemaster Holdings Limited	GZI Transport	Beneficial owner	Long position	32.98	367,500,000 shares
Power Head Limited	GZI Transport	Beneficial owner	Long position	14.13	157,500,000 shares
Delta Force Holdings Limited	GZI Transport	Beneficial owner	Long position	10.10	112,500,000 shares
Lawson Enterprises Limited	GZI Transport	Beneficial owner	Long position	10.10	112,500,000 shares
Shanghai Industrial Investment (Holdings) Company Ltd.	GZI Transport	Interest of controlled corporation	Long position	6.86	76,465,692 shares

Notes:

1. Yue Xiu has direct holding of 5,769 shares in GZI Transport and is deemed by the SFO to be interested in 808,982,307 shares in GZI Transport as a result of its indirect holding of such shares through its subsidiaries.
2. Guangzhou Investment has direct holding of 134,000 shares in GZI Transport and is deemed by the SFO to be interested in 750,000,000 shares in GZI Transport as a result of its indirect holding of such shares through its wholly-owned subsidiary, Round Table Holdings Limited.
3. First Dynamic Limited is deemed by the SFO to be interested in 750,000,000 shares in GZI Transport as a result of its indirect holding of such shares through its controlled corporation, GZI Transport (Holdings) Limited.
4. Round Table Holdings Limited is deemed by the SFO to be interested in 750,000,000 shares in GZI Transport as a result of its indirect holding of such shares through its subsidiary, GZI Transport (Holdings) Limited.
5. GZI Transport (Holdings) Limited is deemed by the SFO to be interested in 750,000,000 shares in GZI Transport as a result of its indirect holding of such shares through its wholly-owned subsidiaries, Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited.

6. EXPERTS' DISCLOSURE OF INTERESTS AND CONSENTS

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

Name	Qualification
Kim Eng	a licensed corporation to carry out type 6 regulated activities under the SFO

- (b) As at the Latest Practicable Date, Kim Eng has no direct or indirect shareholding in any member of the Guangzhou Investment Group or the GZI Transport Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Guangzhou Investment Group or the GZI Transport Group.
- (c) Kim Eng has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and reference to its name in the form and context in which it appears.
- (d) The letter and advice given by Kim Eng is given as of the date of this circular for incorporation herein.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, each of Mr. Li Xinmin, Mr. Du Xinrang, Mr. Chen Guangsong, Mr. Du Liangying, Mr. Ou Bingchang and Mr. Liang Yi had entered into a service agreement with GZI Transport which is for an initial fixed term of one year commencing on 19 June 2001, 12 September 2001, 26 October 2001, 26 October 2001, 8 January 2003 and 28 February 2003 respectively unless terminated sooner by GZI Transport giving to the relevant director three months' prior written notice and thereafter, extendable for a further term of two years unless terminated sooner by GZI Transport giving to the relevant director three months' prior written notice or by the relevant director giving to GZI Transport six months' prior written notice.

Save as disclosed herein, none of the directors of Guangzhou Investment or GZI Transport has any existing or proposed service contract with any member of the Guangzhou Investment Group or GZI Transport Group excluding contracts expiring or determinable by the Guangzhou Investment Group or GZI Transport Group within one year without payment of compensation (other than statutory compensation).

8. NO MATERIAL ADVERSE CHANGES

The directors of Guangzhou Investment are not aware of any material adverse change in the financial or trading position of the Guangzhou Investment Group since 31 December 2003, the date to which the latest published consolidated audited account of the Guangzhou Investment Group were made up.

The directors of GZI Transport are not aware of any material adverse change in the financial or trading position of the GZI Transport Group since 31 December 2003, the date to which the latest published consolidated audited account of the GZI Transport Group were made up.

9. MISCELLANEOUS

- (a) The secretary of Guangzhou Investment and GZI Transport is Mr. Wong Chi Keung, *FCCA, FCPA, ACMA, ACIS*.
- (b) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of Guangzhou Investment at 24/F., Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong up to and including 30 June 2004:

- (a) Joint Venture Agreement;
- (b) the letter from Kim Eng to the Independent Board Committee of Guangzhou Investment and the Independent Board Committee of GZI Transport as set out on pages 14 to 19 of this circular;
- (c) the written consent of Kim Eng referred to in paragraph 6 of this Appendix;
- (d) the memorandum and articles of association of Guangzhou Investment;
- (e) the bye-laws of GZI Transport; and
- (f) the directors' service contracts referred to in paragraph 7 of this Appendix.