
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any of the contents of this circular, you should obtain independent professional advice.

If you have sold or transferred all your shares in Guangzhou Investment Company Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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越 秀 投 資 有 限 公 司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 123)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO PROVISION OF FUNDING ARRANGEMENTS TO
A SUBSIDIARY FOR THE SUBSCRIPTION OF OFFER SHARES AND
TRANSFERS OF OFFER SHARES AS REPAYMENT AND
ACTING AS UNDERWRITER OF THE PROPOSED OPEN OFFER
BY GZI TRANSPORT**

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



Yu Ming Investment Management Limited

A letter from Yu Ming Investment Management Limited, the independent financial adviser to the independent board committee and the independent shareholders of Guangzhou Investment Company Limited, is set out on pages 27 to 41 of this circular.

A notice convening the extraordinary general meeting of Guangzhou Investment Company Limited to be held at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong on Monday, 6 August 2007 at 9:00 a.m. is set out on pages 49 to 51 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Guangzhou Investment Company Limited's share registrar, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting of Guangzhou Investment Company Limited or any adjustment thereof should you so wish.

20 July 2007

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DEFINITIONS

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

“Announcement”	the joint announcement of Guangzhou Investment and GZI Transport in relation to the Open Offer by GZI Transport and the related arrangements dated 29 June 2007
“Application Date”	21 August 2007, or such other date as GZI Transport and the Underwriter may agree in writing, being the latest date upon which application for the Offer Shares must be lodged with the share registrar of GZI Transport
“Application Form”	the application forms for use by the Qualifying Shareholders of GZI Transport to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board of Guangzhou Investment”	the board of Directors of Guangzhou Investment
“Board of GZI Transport”	the board of Directors of GZI Transport
“Business Day”	any day (excluding Saturdays) on which banks are generally open for business in Hong Kong
“CCASS”	Central Clearing and Settlement System
“Directors of Guangzhou Investment”	the directors of Guangzhou Investment
“Directors of GZI Transport”	the directors of GZI Transport
“EGM”	the extraordinary general meeting of Guangzhou Investment to be convened on 6 August 2007 for the purpose of approving the Funding Arrangements, Repayment Arrangements and the Underwriting Agreement
“Excess Application Form”	the excess application forms for use by the Qualifying Shareholders of GZI Transport to apply for excess Offer Shares not initially taken up under the Open Offer by GZI Transport
“Excluded Shareholder(s) of GZI Transport”	Overseas Shareholder(s) of GZI Transport whom the Directors of GZI Transport consider, after making relevant enquiry, in the absence of a registration statement or other special formalities, the offer of the Offer Shares to them would or might, in the opinion of the Directors of GZI Transport, be unlawful or impracticable

DEFINITIONS

“Four Subsidiaries”	four wholly-owned subsidiaries of GZI Transport Holdings, namely Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited
“Funding Arrangements”	provision of funding arrangements by Guangzhou Investment to GZI Transport Holdings for the subscriptions of the Offer Shares allotted and issued to the Four Subsidiaries as contemplated under the Loan Agreement
“GHDC”	廣州市公路開發公司 (for identification purposes only, in English, Guangzhou Highways Development Company), a PRC state-owned enterprise, which is a connected person of GZI Transport as defined in the Listing Rules by virtue of its shareholding interests of 20%, 49%, 20%, 45%, 20% and 30% respectively in six subsidiaries of GZI Transport
“Guangzhou Investment”	Guangzhou Investment Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange and the stock exchange operated by Singapore Exchange Securities Trading Limited
“Guangzhou Investment Group”	Guangzhou Investment and its subsidiaries
“Guangzhou Yue Peng”	廣州越鵬信息有限公司 (for identification purposes only, 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”	GZI Transport Limited, an exempted company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“GZI Transport Group”	GZI Transport and its subsidiaries
“GZI Transport Holdings”	GZI Transport (Holdings) Limited, a company incorporated in the British Virgin Islands, held as to 49% by Yue Xiu and 51% by Guangzhou Investment, holding approximately 67.24% interest in GZI Transport as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	27 June 2007, being the last trading day of the Shares of GZI Transport prior to the publication of the Announcement

DEFINITIONS

“Latest Practicable Date”	18 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 29 June 2007 entered into among Yue Xiu, Guangzhou Investment, GZI Transport Holdings and the Four Subsidiaries whereby Guangzhou Investment agreed to provide funding to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted and issued to the Four Subsidiaries
“Offer Shares”	557,720,765 new Shares of GZI Transport to be issued pursuant to the Open Offer by GZI Transport
“Open Offer by GZI Transport”	the proposed offer of the Offer Shares by GZI Transport on the basis of one Offer Share for every two existing Shares of GZI Transport held by Qualifying Shareholders of GZI Transport at the close of business on the Record Date at the Subscription Price pursuant to the terms set out in the Open Offer Documents
“Open Offer Documents”	the Prospectus, the Application Form and the Excess Application Form
“Overseas Shareholder(s) of GZI Transport”	shareholder(s) of GZI Transport whose address(es) on the register of members of GZI Transport are located outside Hong Kong at the close of business on the Record Date
“Posting Date”	7 August 2007, or such other date as GZI Transport and the Underwriter may agree in writing, being the date of despatch of the Open Offer Documents
“PRC”	the People’s Republic of China, excluding, for the purpose of the Announcement and this circular only, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“Prospectus”	the prospectus to be issued by GZI Transport in relation to the Open Offer
“Public Shareholder(s) of GZI Transport”	shareholder(s) of GZI Transport other than Value Partners (as long as it remains as a substantial shareholder), Guangzhou Investment, Yue Xiu and the Four Subsidiaries and their respective associates

DEFINITIONS

“Qualifying Shareholder(s) of GZI Transport”	shareholder(s) of GZI Transport, other than the Excluded Shareholder(s) of GZI Transport, whose name(s) appear(s) on the register of members of GZI Transport at the close of business on the Record Date
“Record Date”	6 August 2007, or such other date as GZI Transport and the Underwriter may agree in writing, being the record date to determine entitlements to the Open Offer by GZI Transport
“Repayment Arrangements”	repayment of the funding provided by Guangzhou Investment to GZI Transport Holdings in relation to the Funding Arrangements by transferring the Offer Shares allotted and issued to the Four subsidiaries to Guangzhou Investment and/or its nominees as contemplated under the Loan Agreement
“Share(s) of Guangzhou Investment”	share(s) of HK\$0.10 each in the share capital of Guangzhou Investment
“Share(s) of GZI Transport”	share(s) of HK\$0.10 each in the share capital of GZI Transport
“Shareholder(s) of Guangzhou Investment”	holder(s) of the Share(s) of Guangzhou Investment
“Shareholder(s) of GZI Transport”	holder(s) of the Share(s) of GZI Transport
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$3.93 per Offer Share
“Sub-underwriter” or “HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Sub-underwriting Agreement”	the agreement dated 29 June 2007 entered into between the Underwriter and the Sub-underwriter in relation to the sub-underwriting arrangements in respect of the Open Offer by GZI Transport
“Sub-underwritten Shares”	164,754,727 Offer Shares that the Sub-underwriter agreed to sub-underwrite pursuant to the Sub-underwriting Agreement
“Trading Day”	a day on which the Stock Exchange is open for trading
“Underwriter”	Guangzhou Investment, being the underwriter of the Open Offer by GZI Transport

DEFINITIONS

“Underwriting Agreement”	the agreement dated 29 June 2007 entered into between, inter alia, GZI Transport and Guangzhou Investment in relation to the underwriting and other arrangements in respect of the Open Offer by GZI Transport
“Underwritten Shares”	164,754,727 Offer Shares that the Underwriter agreed to subscribe or procure subscribers to subscribe for all the Offer Shares not subscribed by the Shareholders of GZI Transport other than Guangzhou Investment, Yue Xiu and the Four Subsidiaries at the Subscription Price pursuant to the Underwriting Agreement
“Value Partners”	Value Partners Limited
“Yu Ming”	Yu Ming Investment Management Limited
“Yue Xiu”	Yue Xiu Enterprises (Holdings) Limited, a company established in Hong Kong
“Yue Xiu Group”	Yue Xiu and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	renminbi yuan, the lawful currency of the PRC
“Km”	Kilometer
“%”	Percent

LETTER FROM THE BOARD



越秀投資有限公司
GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 123)

Executive Directors:

OU Bingchang (*Chairman*)

LIANG Yi

LI Fei

TANG Shouchun

WANG Hongtao

LI Xinmin

HE Zili

ZHOU Jin

Registered office:

26th Floor, Yue Xiu Building

160 Lockhart Road

Wanchai

Hong Kong

Independent non-executive Directors:

YU Lup Fat Joseph

LEE Ka Lun

LAU Hon Chuen Ambrose

20 July 2007

To the Shareholders of Guangzhou Investment

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO PROVISION OF FUNDING ARRANGEMENTS TO
A SUBSIDIARY FOR THE SUBSCRIPTION OF OFFER SHARES AND
TRANSFERS OF OFFER SHARES AS REPAYMENT AND
ACTING AS UNDERWRITER OF THE PROPOSED OPEN OFFER
BY GZI TRANSPORT**

INTRODUCTION

On 29 June 2007, Guangzhou Investment announced the Funding Arrangements, the Repayment Arrangements and the entering into of the Underwriting Agreement in relation to the Open Offer by GZI Transport.

As stated in the Announcement, pursuant to the Loan Agreement, Guangzhou Investment has agreed to provide the required funding, through its internal resources and/or bank borrowings, to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted and issued to the

LETTER FROM THE BOARD

Four Subsidiaries pursuant to the Open Offer by GZI Transport, which, as at the date of the Announcement, amount to 375,000,000 Offer Shares. All the costs related to these arrangements including, such as stamp duty amounting to approximately HK\$3 million will be borne by GZI Transport Holdings although the same will be settled by Guangzhou Investment first. Upon completion of the Open Offer by GZI Transport, such funding together with the related costs due to Guangzhou Investment shall be repaid and settled by the Four Subsidiaries transferring to Guangzhou Investment and/or its nominees the ownership of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries under the Open Offer by GZI Transport. If Guangzhou Investment decides to obtain bank borrowings to finance the Funding Arrangements, Guangzhou Investment shall be responsible for the finance costs, being the estimated aggregate interest to be incurred for a period of two weeks, amounting to approximately HK\$3 million.

In addition, Guangzhou Investment entered into the Underwriting Agreement with GZI Transport on 29 June 2007 pursuant to which Guangzhou Investment has agreed to underwrite any Offer Shares not taken up by the Qualifying Shareholders of GZI Transport, other than Guangzhou Investment, Yue Xiu and the Four Subsidiaries, in accordance with the terms of the Underwriting Agreement.

The Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the entering into of the Underwriting Agreement constitute discloseable and connected transactions of Guangzhou Investment under Chapter 14 and Chapter 14A of the Listing Rules respectively. The purpose of this circular is to give you further information in relation to the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement in relation to the Open Offer by GZI Transport.

TERMS OF THE OPEN OFFER BY GZI TRANSPORT

Issue statistics

Basis of the Open Offer by GZI Transport:	one Offer Share for every two existing Shares of GZI Transport held by Qualifying Shareholders of GZI Transport at the close of business on the Record Date
Number of existing Shares of GZI Transport in issue as at the Latest Practicable Date:	1,115,441,530 Shares
Number of authorized Shares of GZI Transport as at the Latest Practicable Date:	2,000,000,000 Shares
Number of Offer Shares:	557,720,765 Offer Shares to be allotted
Underwriter:	Guangzhou Investment
Sub-underwriter:	HSBC
Subscription Price for Offer Shares:	HK\$3.93 per Offer Share

LETTER FROM THE BOARD

Under the Open Offer by GZI Transport, 557,720,765 Offer Shares will be allotted, representing 50% of the existing issued share capital of GZI Transport as at the Latest Practicable Date and approximately 33% of the issued share capital of GZI Transport as enlarged by the issue of 557,720,765 Offer Shares. There are no outstanding options, warrants, convertible notes or other rights to subscribe for Shares of GZI Transport as at the Latest Practicable Date.

Subscription price for the Offer Shares

The Subscription Price of HK\$3.93 per Offer Share will be payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 31.05% to the closing price of HK\$5.70 per Share of GZI Transport as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 30.93% to the average closing price of HK\$5.69 per Share of GZI Transport as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 30.57% to the average closing price of HK\$5.66 per Share of GZI Transport as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 28.93% to the average closing price of HK\$5.53 per Share of GZI Transport as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 27.36% to the closing price of HK\$5.41 per Share of GZI Transport as quoted on the Stock Exchange as at the Latest Practicable Date;
- (vi) a discount of approximately 23.09% to the theoretical ex-right price of HK\$5.11 based on the closing price of HK\$5.70 per Share of GZI Transport as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of approximately 4.80% over the audited consolidated net assets value (excluding minority interests) per Share of GZI Transport of approximately HK\$3.75 as at 31 December 2006.

The Subscription Price was arrived at with reference to the market price of the Shares of GZI Transport under the prevailing market conditions and was agreed on an arm's length basis between GZI Transport and the Underwriter.

Status of the Offer Shares

When allotted, issued and fully paid, the Offer Shares will rank pari passu in all respects with the then existing Shares of GZI Transport in issue and holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of issue of the Offer Shares.

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Applications for excess Offer Shares

Qualifying Shareholders of GZI Transport shall be entitled to apply for any entitlements of the Excluded Shareholders of GZI Transport and any Offer Shares not taken up by Qualifying Shareholders of GZI Transport. An application may be made by completing the Excess Application Form for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Directors of GZI Transport will allocate the excess Offer Shares at their discretion, but on a fair and reasonable basis as far as practicable. In respect of the Open Offer by GZI Transport, no odd lot matching services will be provided by GZI Transport in the market.

With respect to the Shareholders of GZI Transport with their Shares of GZI Transport held by a nominee (or CCASS), the Board of GZI Transport will regard the nominee (including CCASS) as a single Shareholder of GZI Transport according to the register of members of GZI Transport. The Board of GZI Transport advises the Shareholders of GZI Transport with their Shares of GZI Transport held by a nominee (or CCASS) to consider whether they would like to arrange for the registration of the relevant Shares of GZI Transport in the name of the beneficial owner(s) prior to the close of business on the Record Date.

For Shareholders of GZI Transport whose Shares of GZI Transport are held by their nominee(s) (or CCASS) and who would like to have their names registered on the register of members of GZI Transport, they must lodge all necessary documents with Abacus Share Registrars Limited, the branch share registrar of GZI Transport in Hong Kong, by 4:00 p.m. (Hong Kong time) on 1 August 2007.

Application for listing

GZI Transport will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duties and relevant trading fees and Securities and Futures Commission transaction levy in Hong Kong.

CONDITIONS OF THE OPEN OFFER BY GZI TRANSPORT

The Open Offer by GZI Transport is conditional upon, among other things, fulfillment of each of the following:

1. the delivery to the Stock Exchange and filing and registration of all documents relating to the Open Offer by GZI Transport required by laws and the Listing Rules to be filed and/or registered, with the Registrar of Companies in Hong Kong and Bermuda respectively;
2. the posting of the Open Offer Documents to the Qualifying Shareholders of GZI Transport and the posting of letter from GZI Transport accompanied by the Prospectus stamped "For information only" to the Excluded Shareholders of GZI Transport (as the case may be) on or before the Posting Date;

LETTER FROM THE BOARD

3. the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Offer Shares either unconditionally or subject to such conditions as GZI Transport may accept;
4. the obtaining of approval from the independent Shareholders of Guangzhou Investment in relation to the entry into of the Underwriting Agreement, the provision of the funding to GZI Transport Holdings for subscription of the Offer Shares and the transfers of the Offer Shares by the Four Subsidiaries upon completion of the Open Offer by GZI Transport as repayment of such funding and all related costs (as more fully described in the section headed “Undertakings from Guangzhou Investment, Yue Xiu, GZI Transport Holdings and the Four Subsidiaries” and “Reasons for the Funding Arrangements among Yue Xiu, Guangzhou Investment and GZI Transport Holdings” below);
5. compliance with and performance of all the undertakings and obligations of GZI Transport under the Underwriting Agreement;
6. compliance with and performance of all the undertakings and obligations of Guangzhou Investment, Yue Xiu, GZI Transport Holdings and the Four Subsidiaries under the Underwriting Agreement; and
7. the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

If any of the conditions of the Open Offer by GZI Transport is not fulfilled by or at the time and/or date specified therefor (or if no time or date is specified, 4:00 p.m. on the fourth Business Day following the Application Date, or such other time as may be agreed between the Underwriter and GZI Transport), or shall become incapable of being fulfilled on or before such time, or the Underwriting Agreement is terminated by the Underwriter (including as a result of the termination of the Sub-underwriting Agreement) by written notice to GZI Transport, in which cases the Open Offer by GZI Transport will not proceed.

UNDERWRITING AND SUB-UNDERWRITING ARRANGEMENTS

Any Offer Share not taken up by the Qualifying Shareholders of GZI Transport, other than Guangzhou Investment, Yue Xiu and the Four Subsidiaries, will be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

Terms of the Underwriting Agreement

Date:	29 June 2007
Issuer:	GZI Transport
Underwriter:	Guangzhou Investment
Number of Underwritten Shares:	164,754,727 Offer Shares

LETTER FROM THE BOARD

Commission: 1.75% of the aggregate Subscription Price of the Underwritten Shares.

Pursuant to the Underwriting Agreement, the Underwriter has agreed to subscribe for or procure subscribers to subscribe for the Underwritten Shares that are not subscribed for by the Public Shareholders of GZI Transport and Value Partners at the Subscription Price. The aggregate value of such Offer Shares amounts to approximately HK\$647 million.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional on, among other things, the fulfillment of the conditions of the Open Offer by GZI Transport as set out in the section headed “Conditions of the Open Offer by GZI Transport” above (other than condition 7) and on the Sub-underwriting Agreement not being terminated.

The Underwriter cannot waive any of the conditions referred to above. If the conditions referred to above are not satisfied by the time and/or date specified in the said agreements (or if no time or date is specified, 4:00 p.m. on the fourth Business Day following the Application Date, or such other time as may be agreed between the Underwriter and GZI Transport), the Underwriting Agreement shall terminate and the Open Offer by GZI Transport will not proceed. In case the Open Offer by GZI Transport does not proceed, GZI Transport will not be liable for the underwriting commission. However, GZI Transport will still be liable to any cost and expense of the legal and other professional advisers incurred in relation to the Open Offer by GZI Transport.

Termination of the Underwriting Agreement

It should be noted that the Underwriting Agreement is conditional upon, among other things, the Sub-underwriting Agreement not being terminated in accordance with the terms thereof. The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If at any time on or before 4:00 p.m. on the fourth Business Day after the Application Date one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement was (when originally given or when repeated in accordance with the provisions under the Underwriting Agreement) untrue, inaccurate, misleading or breached, and in each case where it is (in the reasonable opinion of Guangzhou Investment) material in the context of the Open Offer by GZI Transport; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;

LETTER FROM THE BOARD

- (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
- (vi) any suspension in the trading of the Shares of GZI Transport on the Stock Exchange for a continuous period of ten (10) Business Days other than the suspension relating to the Open Offer by GZI Transport;
- (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which event or events, in the reasonable opinion of the Underwriter, is or are:

1. likely to have a material adverse effect on the business or financial or trading position or prospects of the GZI Transport Group as a whole;
2. likely to have a material adverse effect on the success of the Open Offer by GZI Transport or the level of Offer Shares taken up; or
3. so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer by GZI Transport,

then in such case the Underwriter may by notice in writing given to GZI Transport at the time any of the above events has occurred on or before 4:00 p.m. on the fourth Business Day following the Application Date rescind the Underwriting Agreement and thereupon all obligations of the Underwriter will cease and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement except in respect of any antecedent breach of the Underwriting Agreement and the Open Offer by GZI Transport will not proceed.

Terms of the Sub-underwriting Agreement

Date:	29 June 2007
Underwriter:	Guangzhou Investment
Sub-underwriter:	HSBC
Number of Sub-underwritten Shares:	164,754,727 Offer Shares
Commission:	1.75% of the aggregate Subscription Price of the Sub-underwritten Shares

LETTER FROM THE BOARD

Under the Sub-underwriting Agreement, the Sub-underwriter has sub-underwritten 164,754,727 Offer Shares, all of which have been underwritten by the Underwriter provided that the Underwriter may decide not to call on the Sub-underwriter to take up any Offer Shares on condition that the public float of GZI Transport will not be lower than the prescribed minimum level of public float as required under the Listing Rules immediately following the completion of the Open Offer by GZI Transport. In the event that the prescribed minimum level of public float as required under the Listing Rules is restored by GZI Transport, the Underwriter may call on the Sub-underwriter to take up only part of the Sub-underwritten Shares.

To the best of the Directors of Guangzhou Investment's knowledge, information and belief and having made all reasonable enquiries, the Sub-underwriter and its ultimate beneficial owners are third parties independent of (i) GZI Transport and its connected persons (as defined in the Listing Rules); and (ii) Guangzhou Investment and its connected persons (as defined in the Listing Rules) respectively.

The entering into of the Sub-underwriting Agreement between the Underwriter and HSBC is to ensure that, immediately after the completion of the Open Offer by GZI Transport, the Open Offer by GZI Transport will not result in a further reduction of the public float of GZI Transport and, in the event that Value Partners remains as a substantial Shareholder of GZI Transport immediately after the completion of the Open Offer by GZI Transport due to its subscription of the Offer Shares, the shareholding percentage of GZI Transport held by Guangzhou Investment and its associates will not increase.

Under the Sub-underwriting Agreement, the Underwriter has given certain representations, warranties and undertakings to the Sub-underwriter, including the agreement not to waive any rights under the Underwriting Agreement to the extent that it would reasonably be considered to have material adverse impact on the position of the Sub-underwriter under the sub-underwriting arrangements. The obligations of the Sub-underwriter under the sub-underwriting arrangements are conditional on (i) the Underwriting Agreement being unconditional and not being terminated; and (ii) there being no material breach of the representations, warranties and undertakings given by the Underwriter under the Sub-underwriting Agreement.

THE LOAN AGREEMENT

Pursuant to the Loan Agreement, Guangzhou Investment has agreed to provide the required funding, through its internal resources and/or bank borrowings, to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted and issued to the Four Subsidiaries pursuant to the Open Offer by GZI Transport, which, as at the date of the Announcement, amounted to 375,000,000 Offer Shares. All the costs relating to these arrangements including, such as stamp duty amounting to approximately HK\$3 million will be borne by GZI Transport Holdings although the same will be settled by Guangzhou Investment first. Given the Subscription Price of HK\$3.93 per Offer Share, the funding required for the subscriptions of 375,000,000 Offer Shares amounts to approximately HK\$1.47 billion. As such, Guangzhou Investment will provide an interest-free loan of approximately HK\$1.47 billion to GZI Transport Holdings, which in turn will provide such funding to the Four Subsidiaries. The Four Subsidiaries will utilise such funding towards subscription of the Offer Shares. Upon the completion of the Open Offer by GZI Transport, such funding together with

LETTER FROM THE BOARD

the related costs due to Guangzhou Investment shall be repaid and settled by the Four Subsidiaries transferring to Guangzhou Investment and/or its nominees the ownership of the 375,000,000 Offer Shares allotted and issued to them under the Open Offer by GZI Transport. If Guangzhou Investment decides to obtain bank borrowings to finance the Funding Arrangements, Guangzhou Investment shall be responsible for the finance costs, being the estimated aggregate interest to be incurred for a period of two weeks, amounting to approximately HK\$3 million.

UNDERTAKINGS FROM GUANGZHOU INVESTMENT, YUE XIU, GZI TRANSPORT HOLDINGS AND THE FOUR SUBSIDIARIES

As at the Latest Practicable Date, each of Yue Xiu and Guangzhou Investment was interested in 35,798,076 Shares of GZI Transport and 134,000 Shares of GZI Transport respectively, representing approximately 3.21% and 0.01% in the issued share capital of GZI Transport, directly or through wholly-owned subsidiaries respectively.

In addition, Yue Xiu and Guangzhou Investment are also deemed to be interested in 750,000,000 Shares of GZI Transport, representing approximately 67.24% of the issued share capital of GZI Transport, through GZI Transport Holdings, which is owned as to 49% by Yue Xiu and 51% by Guangzhou Investment respectively. GZI Transport Holdings in turn holds such Shares of GZI Transport through the Four Subsidiaries.

Guangzhou Investment, as at the date of the Announcement, has irrevocably undertaken that, subject to the conditions of the Underwriting Agreement being fulfilled, all Shares of GZI Transport directly owned by it will remain registered in its name from the date of the undertaking to the Record Date and that it will subscribe for or procure subscription of all the 67,000 Offer Shares that will be allotted to it or its wholly-owned subsidiaries as the holders of such Shares of GZI Transport pursuant to the Open Offer by GZI Transport.

Yue Xiu, as at the date of the Announcement, has irrevocably undertaken that, subject to the conditions of the Underwriting Agreement being fulfilled, all Shares of GZI Transport directly owned by it or through its wholly-owned subsidiaries will remain registered in its/their name(s) from the date of the undertaking to the Record Date and that it will subscribe for or procure subscription of all the 17,899,038 Offer Shares that will be allotted to it or its wholly-owned subsidiaries as the holder of such Shares of GZI Transport pursuant to the Open Offer by GZI Transport.

GZI Transport Holdings, as at the date of the Announcement, has irrevocably undertaken to GZI Transport that, it will procure the Four Subsidiaries to subscribe in full for their respective entire entitlements under the Open Offer by GZI Transport. The Four Subsidiaries, as at the date of the Announcement, have also irrevocably undertaken that, subject to the conditions of the Open Offer by GZI Transport being fulfilled, all Shares of GZI Transport beneficially owned by them will remain registered in their names from the date of the undertaking to the Record Date and that they will subscribe for all the 375,000,000 Offer Shares that will be allotted to them as the holder(s) of such Shares of GZI Transport pursuant to the Open Offer by GZI Transport. Based on the Subscription Price of HK\$3.93 per Offer Share, the funding required for the subscription of 375,000,000 Offer Shares amounts to approximately HK\$1.47 billion.

LETTER FROM THE BOARD

The Offer Shares available for subscription by the Public Shareholders of GZI Transport and Value Partners, other than the Offer Shares to be allotted in respect of the Shares of GZI Transport beneficially owned by Yue Xiu, Guangzhou Investment and GZI Transport Holdings, which amount to approximately 164,754,727 Offer Shares, will be underwritten by Guangzhou Investment as the underwriter in accordance with the Underwriting Agreement.

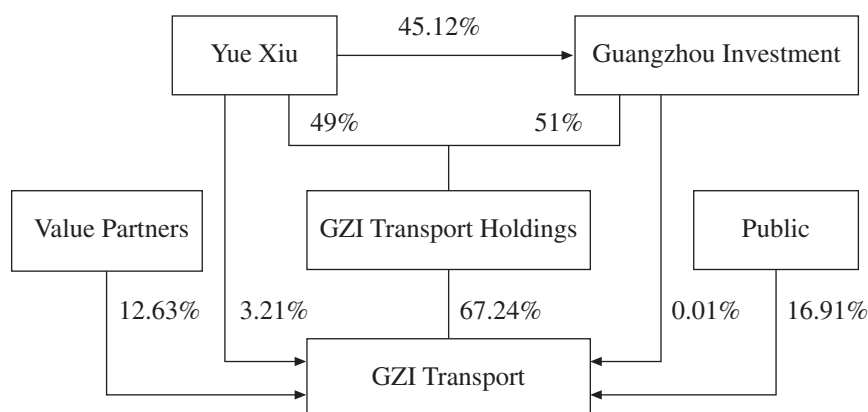
In addition, Guangzhou Investment has also undertaken to GZI Transport that it will place down such number of Shares of GZI Transport which shall be equal to the number of Offer Shares (if any) that Value Partners takes up through application for excess Offer Shares to independent third parties as soon as possible after the Application Date but before the Open Offer by GZI Transport becomes unconditional.

With the above-mentioned placing down arrangements of Guangzhou Investment and the Sub-underwriting Agreement, the Directors of GZI Transport contemplate that the public float of GZI Transport will not be worse off as a result of the Open Offer by GZI Transport.

As at the Latest Practicable Date, other than the above mentioned undertakings, GZI Transport has not received any undertaking provided by any other Shareholders of GZI Transport to subscribe his/her/its entitlement under the Open Offer by GZI Transport.

CHANGES IN SHAREHOLDING STRUCTURE OF GZI TRANSPORT

Set out below is a shareholding chart showing the current shareholding structure of GZI Transport:



Note: GZI Transport Holdings holds an approximately 67.24% interest in GZI Transport through the Four Subsidiaries.

LETTER FROM THE BOARD

The following table sets out the changes in the shareholding structure of GZI Transport arising from the Open Offer by GZI Transport:

Shareholder of GZI Transport	As at the Latest Practicable Date		Immediately after completion of the Open Offer by GZI Transport (Note 1)		Immediately after completion of the Open Offer by GZI Transport (Note 2)		Immediately after completion of the Open Offer by GZI Transport (Note 3)	
	No. of Shares of GZI Transport	Approximate percent (%)	No. of Shares of GZI Transport	Approximate percent (%)	No. of Shares of GZI Transport	Approximate percent (%)	No. of Shares of GZI Transport	Approximate percent (%)
Yue Xiu (Note 4)	35,798,076	3.21	53,697,114	3.21	53,697,114	3.21	53,697,114	3.21
Guangzhou Investment	134,000	0.01	375,201,000 (Note 6)	22.42	445,689,000 (Note 6)	26.64	375,201,000 (Note 6)	22.42
GZI Transport Holdings (Note 5)	750,000,000	67.24	750,000,000	44.83	750,000,000	44.83	750,000,000	44.83
Value Partners	140,976,000	12.63	211,464,000	12.63	140,976,000	8.43	140,976,000	8.43
Other Shareholders of GZI Transport	188,533,454	16.91	282,800,181	16.91	188,533,454	11.26	188,533,454	11.26
Sub-underwriter	—	—	—	—	94,266,727	5.63	164,754,727	9.85
Sub-total Public	188,533,454	16.91	282,800,181	16.91	423,776,181	25.32	494,264,181	29.54
Total	1,115,441,530	100.00	1,673,162,295	100.00	1,673,162,295	100.00	1,673,162,295	100.00

Notes:

- Assuming all Shareholders of GZI Transport take up their respective allotment of the Offer Shares in full.
- Assuming (i) no Shareholders of GZI Transport (save for Guangzhou Investment, Yue Xiu and the Four Subsidiaries) take up any of the Offer Shares; and (ii) the entitlements to the Offer Shares of all Shareholders of GZI Transport (save for Guangzhou Investment, Yue Xiu and the Four Subsidiaries) of 164,754,727 Offer Shares are taken up by Guangzhou Investment and Guangzhou Investment calls on the Sub-underwriter to take up 94,266,727 Offer Shares (such 94,266,727 Offer Shares being the aggregate number of Offer Shares to which the Public Shareholders of GZI Transport are entitled to subscribe for) such that the public float of GZI Transport will be increased to 25.32% as Value Partners will be regarded as a public Shareholder by virtue of its shareholding in GZI Transport dropping to approximately 8.43% of GZI Transport's issued share capital.
- Assuming no Shareholder of GZI Transport (save for Guangzhou Investment, Yue Xiu and the Four Subsidiaries) takes up any of the Offer Share and the Underwriter calls on the Sub-underwriter to take up those Offer Shares pursuant to the Sub-underwriting Agreement.
- This shareholding is directly held by Yue Xiu and its wholly-owned subsidiaries.
- GZI Transport Holdings is held by Yue Xiu and Guangzhou Investment as to 49% and 51% respectively.
- Assuming GZI Transport Holdings has repaid the funding to Guangzhou Investment by the Four Subsidiaries transferring to Guangzhou Investment the ownership of 375,000,000 Offer Shares.

In the event that Guangzhou Investment is called upon to subscribe for the Underwritten Shares in full, and after taking into account the arrangements under the Sub-underwriting Agreement, the aggregate shareholding interests of Guangzhou Investment, Yue Xiu and GZI Transport Holdings and their respective associates will remain unchanged at approximately 70.46% of GZI Transport's issued share capital as enlarged by the issue of the Offer Shares if Value Partners and the Public Shareholders of GZI Transport do not take up any of their respective entitlements to 70,488,000 Offer Shares and 94,266,727 Offer Shares and such 164,754,727 Offer Shares in aggregate are all taken up by the Sub-underwriter.

LETTER FROM THE BOARD

It is the intention of Guangzhou Investment to maintain the listing of GZI Transport after the Open Offer by GZI Transport. If the public float of GZI Transport is not restored to 25% immediately after the completion of the Open Offer by GZI Transport, GZI Transport or the controlling Shareholder of GZI Transport (including Yue Xiu, Guangzhou Investment and the Four Subsidiaries) will take appropriate steps to restore the public float of GZI Transport as soon as practicable after completion of the Open Offer by GZI Transport to ensure that not less than 25% of the Shares of GZI Transport are held by the public at all times in compliance with the minimum public float requirement under Rule 8.08 of the Listing Rules.

Upon completion of the Open Offer by GZI Transport, GZI Transport will continue to be a subsidiary of Guangzhou Investment.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

GZI Transport is an investment holding company, and its subsidiaries are principally engaged in toll road and bridge operations in Guangdong Province.

As stated in the Announcement, the audited financial information of GZI Transport for the two years ended 31 December 2006, as extracted from its annual report, is as follow:

	For the year ended	
	31 December	
	2005	2006
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net profits (before taxation and extraordinary items)	372,326	523,604
Net profits (after taxation and extraordinary items)	337,893	487,912
	As at 31 December	
	2005	2006
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Total Assets	4,631,092	4,947,235
Total Equity	3,997,670	4,421,135

As stated in the Announcement, one of the principal objectives of the Open Offer by GZI Transport is to raise sufficient funds for prospective acquisitions of interests in new toll expressways and bridges, principally in Guangdong Province. With the toll road network in first tier cities in PRC, such as Beijing, Shanghai, Guangzhou and Shenzhen, entering into mature stage, the Board of GZI Transport envisages that opportunities for participation in the development of or acquisition of interest in new quality toll expressways in these first tier cities would become less readily available. In February 2007, the relevant government authority of the Guangdong Province announced the 11th Five Year Comprehensive Transportation System Plan ("11th Plan"), which stated that an estimated RMB228.8 billion will be invested in about 35 major expressway projects (including 11 outbound expressway projects, 18 expressway projects within the province and 6 local expressway projects) to

LETTER FROM THE BOARD

be constructed throughout the Guangdong Province. It is anticipated that about RMB159.1 billion will be invested in constructing expressways of 2,773km during the 11th Plan period. Therefore, the Directors of GZI Transport believe that there will be tremendous opportunities for investing in expressway projects. To cope with the expected economic growth and the development in the Guangdong Province, the Directors of GZI Transport believe that the 11th Plan represents a good investment opportunity for GZI Transport to further expand its operation in the Guangdong Province, a fast developing province in the PRC.

As stated in the Announcement, the Directors of GZI Transport consider that, by way of the Open Offer by GZI Transport through which it is currently anticipated to raise approximately HK\$2,192 million (before expenses), GZI Transport will be in a stronger financial position to participate in different toll road projects in the PRC.

The Board of Guangzhou Investment has been informed by the Board of GZI Transport that GZI Transport is currently in discussion with GHDC in relation to the joint development of two expressways, namely 廣河高速公路廣州段 (for identification purposes only, in English, Guanghe Expressway Guangzhou Section) (“**GEGS**”) and 增從高速公路 (for identification purposes only, in English, Zengcong Expressway) (“**Zengcong**”), in Guangdong Province. It is anticipated that GEGS will be a six-lane expressway with an estimated length of approximately 70.82km. It is currently expected that GEGS will be located in the Pearl River Delta and upon completion of construction, GEGS will connect Guanghe Expressway (Huizhou Section), Huanan Expressway (Phases II and III), Guangzhou Northern Second Ring Expressway, Zengcong Expressway, Guangzhou Northern Third Ring Expressway, and Provincial Highway S118. The total investment amount of GEGS is expected to be approximately RMB6.60 billion, of which approximately RMB2.18 billion would be contributed by the joint venture partners of GEGS as registered capital, with the remaining balance of the total investment amount to be raised by way of bank financing in the PRC by GEGS. GZI Transport currently anticipates that Guangzhou Yue Peng, an indirect wholly owned subsidiary of GZI Transport, would contribute towards GEGS approximately RMB872 million, representing 40% of the registered capital of GEGS .

It is anticipated that Zengcong will be a four-lane expressway with an estimated length of approximately 78 km. It is currently expected that Zengcong will be located in the Pearl River Delta with its main route to start from Jinlan Temple in Zengcheng City, connecting Guanghui Expressway and end at Wenquan County in Conghua City and the secondary route will start from Paitan County in Zengcheng City, passing through Jiangpu County in Conghua City and will connect with Jiebei Expressway. The total investment amount of Zengcong is expected to be approximately RMB4.87 billion, of which approximately RMB1.61 billion would be contributed by the joint venture partners of Zengcong as registered capital, with the remaining balance of the total investment amount to be raised by way of bank financing in the PRC by Zengcong. GZI Transport currently anticipates that Guangzhou Yue Peng, an indirect wholly owned subsidiary of GZI Transport, would contribute towards Zengcong approximately RMB483 million, representing 30% of the registered capital of Zengcong.

LETTER FROM THE BOARD

The Board of Guangzhou Investment would like to emphasize that GZI Transport is still in discussions with GHDC regarding the joint developments of GEGS and Zengcong, and there is no assurance that GZI Transport and GHDC will eventually enter into any agreement regarding GEGS and Zengcong. If GZI Transport decides to enter into any agreement in relation to GEGS and Zengcong, registered capital for the abovementioned investments would either be sourced from proceeds from the Open Offer (if successful), and/or bank borrowings and/or internal resources.

As at the Latest Practicable Date, the Directors of GZI Transport confirmed to the Directors of Guangzhou Investment that GZI Transport has not entered into any contracts in relation to the proposed joint development of the said two expressways or other acquisition of or investment in any projects at the moment.

REASONS FOR THE FUNDING ARRANGEMENTS AMONG YUE XIU, GUANGZHOU INVESTMENT AND GZI TRANSPORT HOLDINGS

Guangzhou Investment is an investment company and its subsidiaries are principally engaged in property development, investment and management, operation of toll roads and bridges, manufacture and sale of newsprint.

GZI Transport Holdings is an investment holding company.

Yue Xiu and its subsidiaries are principally engaged in cement and ready mixed concrete production; finance, stocks and securities brokerage, and insurance services; investment in and operation of hotels; property investment and development; operation of toll roads and bridges; manufacture and sale of newsprint. It is the present strategy of Yue Xiu to utilize Guangzhou Investment as the flagship for holding the infrastructure related business, including GZI Transport.

Through the Funding Arrangements and assuming all Shareholders of GZI Transport take up their respective allotments of the Offer Shares in full, Guangzhou Investment will increase its effective interest in GZI Transport from approximately 34.30% to 45.28% immediately upon completion of the Open Offer by GZI Transport and the transfers by the Four Subsidiaries to Guangzhou Investment and/or its nominees of the 375,000,000 Offer Shares allotted to the Four Subsidiaries. Based on the Subscription Price of HK\$3.93 per Offer Share, the funding required for the subscription of 375,000,000 Offer Shares amounts to approximately HK\$1.47 billion.

Guangzhou Investment will finance the Funding Arrangements through its internal resources and/or bank borrowings. All the costs relating to these arrangements including, such as stamp duty amounting to approximately HK\$3 million, will be borne by GZI Transport Holdings although the same will be settled by Guangzhou Investment first. Such cost together with the required funding will be repaid and settled by the Four Subsidiaries transferring to Guangzhou Investment and/or its nominees the ownership of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries. If Guangzhou Investment decides to obtain bank borrowings to finance the Funding Arrangements, Guangzhou Investment shall be responsible for the finance costs, being the estimated aggregate interest to be incurred for a period of two weeks, amounting to approximately HK\$3 million.

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The Directors of Guangzhou Investment consider that the Funding Arrangements, including the provision of an interest-free loan to GZI Transport Holdings, and the Repayment Arrangements provide an opportunity for Guangzhou Investment to further enhance its shareholding in GZI Transport and control over the GZI Transport Group. Based on the financial results of the GZI Transport Group for the year ended 31 December 2006, the GZI Transport Group recorded an audited profit attributable to equity holders of GZI Transport of approximately HK\$461.16 million, representing a positive growth of approximately 50.80% over that of the previous year. Given the promising results of the GZI Transport Group for the year ended 31 December 2006, the Directors of Guangzhou Investment believe that it is beneficial for Guangzhou Investment to increase its effective interest in GZI Transport and therefore consider the Funding Arrangements, including the provision of an interest-free loan to GZI Transport Holdings, and the Repayment Arrangements in the interests of Guangzhou Investment and the shareholders of Guangzhou Investment as a whole.

REASONS FOR ENTERING INTO THE UNDERWRITING AGREEMENT AND SUB-UNDERWRITING AGREEMENT

The Directors of Guangzhou Investment consider that the entering into of the Underwriting Agreement by Guangzhou Investment will enable Guangzhou Investment to maintain, support and enhance the value of its investment in GZI Transport since the underwriting will ensure that the Open Offer by GZI Transport will be fully subscribed. Taking into account the business development opportunities of GZI Transport as stated in the section headed “Reasons for the Open Offer by GZI Transport and use of proceeds” above, and the Subscription Price being a discount of 31.05% and 30.93% to the closing price of HK\$5.70 and HK\$5.69 per Share of GZI Transport as quoted on the Stock Exchange on the Last Trading Day and for the 5 consecutive trading days up to and including the Last Trading Day respectively, and the underwriting commission of 1.75% charged by Guangzhou Investment, the Directors of Guangzhou Investment believe that the entering into of the Underwriting Agreement is in the interests of Guangzhou Investment and its shareholders as a whole. Guangzhou Investment will finance its commitment under the Underwriting Agreement by way of internal resources and/or bank borrowings.

The Underwriting Agreement was determined after arm’s length negotiations between Guangzhou Investment and GZI Transport. Based on the reasons as stated above, the Directors of Guangzhou Investment consider that the terms of the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as Guangzhou Investment and the shareholders of Guangzhou Investment as a whole are concerned.

By entering into the Underwriting Agreement and the Sub-underwriting Agreement, Guangzhou Investment is able to enhance its shareholding interests in GZI Transport by not calling upon the Sub-underwriter to take up the Sub-underwritten Shares in the event that Value Partners chooses not to subscribe for the whole or part of its entitlement of the Offer Shares and ceases to be a substantial Shareholder of GZI Transport upon completion of the Open Offer by GZI Transport.

The entering into of the Sub-underwriting Agreement between the Underwriter and HSBC is to ensure that, immediately after the completion of the Open Offer by GZI Transport, the Open Offer by GZI Transport will not result in a further reduction of the public float of GZI Transport and, in the

LETTER FROM THE BOARD

event that Value Partners remains as a substantial Shareholder of GZI Transport immediately after the completion of the Open Offer by GZI Transport due to its subscription of entitlements to the Offer Shares, the shareholding percentage of GZI Transport held by Guangzhou Investment and its associates will not increase.

FINANCIAL EFFECTS OF THE UNDERWRITING AGREEMENT, THE FUNDING ARRANGEMENTS AND THE REPAYMENT ARRANGEMENTS

The Underwriting Agreement

Guangzhou Investment will only take up additional Shares of GZI Transport pursuant to the Underwriting Agreement if (i) Guangzhou Investment is required to fulfill its obligations under the Underwriting Agreement; (ii) the public float of GZI Transport is restored to the minimum level prescribed by the Listing Rules; and (iii) Guangzhou Investment decides not to require the Sub-underwriter to take up the Sub-underwritten Shares provisionally allotted to Value Partners which were not subscribed for and applied for through excess application. Under such situation, the maximum number of Shares of GZI Transport that Guangzhou Investment may take up is expected to be not more than 70,488,000 Shares of GZI Transport, representing approximately 4.21% of the issued share capital of GZI Transport as enlarged by the Open Offer by GZI Transport, and GZI Transport will continue to be a subsidiary of Guangzhou Investment and therefore its account will continue to be consolidated into the accounts of the Guangzhou Investment Group.

The funding required to subscribe for the abovementioned 70,488,000 Shares of GZI Transport at the Subscription Price is expected to be approximately HK\$277.02 million, and, if required, such funding will be financed by internal resources and/or bank borrowings. If Guangzhou Investment finances the abovementioned HK\$277.02 million by internal resources, the Directors of Guangzhou Investment consider that there is no material impact on the assets and liabilities and earnings of the Guangzhou Investment Group. In the event that Guangzhou Investment finances the abovementioned HK\$277.02 million by bank borrowings, both the bank borrowings and the assets of the Guangzhou Investment Group will increase by the same amount, and there will be no material impact on the earnings of the Guangzhou Investment Group, save for an interest expense which may be incurred in connection with the increase in bank borrowings. As the exact amount of bank borrowings may be assumed by Guangzhou Investment in relation to the abovementioned HK\$277.02 million cannot be ascertained as at the Latest Practicable Date, given the maximum funding may be required of approximately HK\$277.02 million and based on prevailing market conditions, the Directors of Guangzhou Investment anticipate the maximum amount of the relevant interest expenses to be about HK\$14 million per annum. In addition, based on the audited net asset value per Share of GZI Transport as at 31 December 2006 of approximately HK\$3.75 and the Subscription Price, the premium arising therefrom will be treated as a goodwill and reserved in the consolidated accounts of Guangzhou Investment.

The Funding Arrangements and the Repayment Arrangements

Upon completion of the Funding Arrangements and the Repayment Arrangements, GZI Transport will continue to be a subsidiary of Guangzhou Investment and therefore its account will continue to be consolidated into the accounts of the Guangzhou Investment Group.

LETTER FROM THE BOARD

The Funding Arrangements will be financed by internal resources and/or bank borrowings. If Guangzhou Investment is to finance the Funding Arrangement by internal resources, the Directors of Guangzhou Investment consider that there is no material impact on the assets and liabilities and earnings of the Guangzhou Investment Group after the completion of the Funding Arrangements and the Repayment Arrangements. In the event that Guangzhou Investment is to finance the Funding Arrangements by bank borrowings, after the completion of the Funding Arrangements and the Repayment Arrangements, the bank borrowings and the assets of the Guangzhou Investment Group will increase by the same amount, and there will be no material impact on the earnings of the Guangzhou Investment Group, save for an interest expense which may be incurred in connection with the increase in bank borrowings. As the exact amount of bank borrowings that may be assumed by Guangzhou Investment in relation to the Funding Arrangements cannot be ascertained as at the Latest Practicable Date, given the maximum funding required under the Funding Arrangements of approximately HK\$1.47 billion and based on prevailing market conditions, the Directors of Guangzhou Investment anticipate that the aggregate relevant interest to be incurred for a period of two weeks will be approximately HK\$3 million and the maximum amount of the relevant interest expenses will be approximately HK\$75 million per annum. In addition, based on the audited net asset value per Share of GZI Transport as at 31 December 2006 of approximately HK\$3.75 and the Subscription Price, the premium arising therefrom will be treated as a goodwill and reserved in the consolidated accounts of Guangzhou Investment.

DISCLOSEABLE AND CONNECTED TRANSACTIONS OF GUANGZHOU INVESTMENT

As Yue Xiu is interested in 3,077,935,248 Shares of Guangzhou Investment as at the Latest Practicable Date, representing approximately 45.12% of the issued share capital of Guangzhou Investment, and therefore a connected person of Guangzhou Investment, the provision of funding to GZI Transport Holdings, which is 49% beneficially owned by Yue Xiu, for subscription of the Offer Shares and the transfers of the Offer Shares upon completion of the Open Offer by GZI Transport from the Four Subsidiaries to Guangzhou Investment as repayment mentioned above constitute connected transactions of Guangzhou Investment under the Listing Rules.

The entering into of the Underwriting Agreement between GZI Transport and Guangzhou Investment constitutes a connected transaction of Guangzhou Investment. Pursuant to the Underwriting Agreement, the Underwriter is obliged to subscribe for 164,754,727 Offer Shares, representing the Offer Shares available for subscription by the Qualifying Shareholders of GZI Transport other than Guangzhou Investment, Yue Xiu and the Four Subsidiaries (equivalent to an amount of approximately HK\$647 million payable by the Underwriter) in the event that no Shareholders of GZI Transport (save for Guangzhou Investment, Yue Xiu and GZI Transport Holdings and their respective associates) take up their entitlement to the Offer Shares.

As the relevant percentage ratios in relation to (i) the Funding Arrangements, which given the Subscription Price of HK\$3.93 per Offer Share, the funding required for the subscriptions of 375,000,000 Offer Shares amounts to approximately HK\$1.47 billion, and the Repayment Arrangements and related costs such as stamp duty and finance cost amounting to approximately HK\$6 million; and (ii) the gross underwriting commitment under the Underwriting Agreement of approximately HK\$647 million exceeded 2.5% as determined in accordance with the Listing Rules, the

LETTER FROM THE BOARD

provision of the Funding Arrangements as contemplated under the Loan Agreement and the entering into of the Underwriting Agreement by Guangzhou Investment are subject to the requirements of reporting, announcement and the independent shareholders' approval of Guangzhou Investment as set out in Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated in accordance with the Listing Rules for (i) the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and related cost such as stamp duty and finance cost amounting to approximately HK\$6 million; and (ii) the gross underwriting commitment under the Underwriting Agreement exceeded 5% but below 25%, the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the entering into the Underwriting Agreement also constitute discloseable transactions of Guangzhou Investment.

GENERAL

An independent board committee comprising Messrs. Yu Lup Fat Joseph and Lee Ka Lun, the independent non-executive Directors of Guangzhou Investment, has been appointed to consider the terms of the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the Underwriting Agreement and to advise the independent shareholders of Guangzhou Investment as to whether the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the Underwriting Agreement are on normal commercial terms, fair and reasonable and in the interests of Guangzhou Investment and its shareholders as a whole. Mr. Lau Hon Chuen Ambrose, who is an independent non-executive director of both Guangzhou Investment and GZI Transport, has not been appointed as a member of the said independent board committee due to issue of conflict of interests. Yu Ming has been appointed to advise the independent board committee of Guangzhou Investment and the independent Shareholders of Guangzhou Investment on the fairness and reasonableness of the terms of the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the Underwriting Agreement.

The EGM will be held to seek approval of the independent Shareholders of Guangzhou Investment regarding (i) the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement; (ii) the entering into of the Underwriting Agreement by Guangzhou Investment; and (iii) all the transactions related thereto. Yue Xiu and its associates will abstain from voting on the resolutions to approve the resolutions in relation to the Underwriting Agreement and the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement at the EGM.

In compliance with the Listing Rules, the votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

RECOMMENDATION

Your attention is drawn to (i) the letter from the independent board committee of Guangzhou Investment set out on pages 25 to 26 of this circular which contains its recommendation to the independent Shareholders of Guangzhou Investment in respect of (i) the Funding Arrangements and

LETTER FROM THE BOARD

the Repayment Arrangements as contemplated under the Loan Agreement; and (ii) the Underwriting Agreement and the transactions contemplated thereunder; and (ii) the letter from Yu Ming, the text of which is set out on pages 27 to 41 of this circular containing its advice to the independent board committee and the independent shareholders of Guangzhou Investment.

For the reasons set out above, the Board of Guangzhou Investment considers the terms of the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the Underwriting Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of Guangzhou Investment and the Shareholders of Guangzhou Investment as a whole, and therefore recommends the independent Shareholders of Guangzhou Investment to vote in favour of the resolutions to be proposed at the EGM for approving (i) the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement; and (ii) the Underwriting Agreement and the transactions contemplated thereunder. You are advised to read the aforesaid letters before deciding as to how to vote at the EGM.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendix to this circular.

By Order of the Board
Guangzhou Investment Company Limited
Ou Bingchang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



越秀投資有限公司
GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 123)

20 July 2007

To the Shareholders of Guangzhou Investment

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO PROVISION OF FUNDING ARRANGEMENTS TO
A SUBSIDIARY FOR THE SUBSCRIPTION OF OFFER SHARES AND
TRANSFERS OF OFFER SHARES AS REPAYMENT AND
ACTING AS UNDERWRITER OF THE PROPOSED OPEN OFFER
BY GZI TRANSPORT**

We refer to the circular to the Shareholders of Guangzhou Investment dated 20 July 2007 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings given to them in the definition section of the Circular.

In compliance with the Listing Rules, we have been appointed by the Board of Guangzhou Investment to advise the Shareholders of Guangzhou Investment in relation to the terms of the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement. In this connection, Yu Ming has been appointed as an independent financial adviser to advise on whether the terms of the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement are fair and reasonable so far as Guangzhou Investment and the Shareholders of Guangzhou Investment are concerned and the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement are in the interests of Guangzhou Investment and the Shareholders of Guangzhou Investment as a whole. Details of, and the reasons for the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement together with the actions to be taken by the Shareholders of GZI Transport are contained in the Letter from the Board of Guangzhou Investment set out on pages 6 to 24 of the Circular.

As the members of the independent board committee of Guangzhou Investment, we have discussed with the management of Guangzhou Investment as to the reasons for the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement. We also wish to draw your attention to the letter of advice from Yu Ming set out on pages 27 to 41 of the Circular. We have also discussed with Yu Ming as to the basis upon which its advice has been given to us. We have also noted the letter and the advice contained therein and have considered, amongst others, the various factors contained in such letter. In our opinion, the terms of the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the Underwriting

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Agreement are fair and reasonable so far as Guangzhou Investment and the Shareholders of Guangzhou Investment are concerned and the terms of the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the Underwriting Agreement are in the interests of Guangzhou Investment and the Shareholders of Guangzhou Investment as a whole. Accordingly, as the members of the independent board committee of Guangzhou Investment, we recommend the Shareholders of Guangzhou Investment to vote in favour of the ordinary resolutions which will be proposed at the EGM to approve the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement and the Underwriting Agreement by way of poll.

Yours faithfully,

**Independent Board Committee of
Guangzhou Investment Company Limited**
Mr. Yu Lup Fat Joseph Mr. Lee Ka Lun

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



YU MING INVESTMENT MANAGEMENT LIMITED

ROOM 1001, 10/F, AON CHINA BUILDING, 29 QUEEN'S ROAD CENTRAL, HONG KONG

20th July, 2007

To the Independent Board Committee and the Independent Shareholders
Guangzhou Investment Company Limited
26th Floor, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

In a joint announcement dated 29th June, 2007 of Guangzhou Investment and GZI Transport, GZI Transport proposed to raise approximately HK\$2,192 million before expenses by issuing the Offer Shares at the Subscription Price of HK\$3.93 per Offer Share by way of the Open Offer. Qualifying Shareholders will be offered one Offer Share for every two existing Shares.

We have been appointed as an independent financial adviser to make recommendations to the Independent Board Committee and the Shareholders as to whether the terms and conditions of the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement are fair and reasonable and are in the interests of Guangzhou Investment and the Shareholders as a whole, details of which are set out in the circular to the Shareholders dated 20th July, 2007 (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 otherwise requires

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information, opinions and representations provided to us by the Directors of Guangzhou Investment. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information, opinions and representations which have been provided by the Directors of Guangzhou Investment for which they are solely responsible are, to the best of their knowledge, true and accurate at the time they were made and continue to be so on the date of this letter.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors of Guangzhou Investment have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which

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would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors of Guangzhou Investment, nor have we conducted an independent investigation into the business and affairs of Guangzhou Investment and GZI Transport.

PRINCIPAL TERMS OF THE TRANSACTIONS

The Open Offer, the Underwriting Agreement and the Sub-underwriting Agreement

In a joint announcement dated 29th June, 2007 of Guangzhou Investment and GZI Transport, GZI Transport proposed to raise approximately HK\$2,192 million before expenses by issuing the Offer Shares at the Subscription Price of HK\$3.93 per Offer Share by way of the Open Offer. Qualifying Shareholders will be offered one Offer Share for every two existing Shares. Under the Open Offer, 557,720,765 Offer Shares would be allotted, representing 50% of the existing issued share capital of GZI Transport as at the Latest Practicable Date and approximately 33% of the issued share capital of GZI Transport as enlarged by the issue of the 557,720,765 Offer Shares. There are no outstanding options, warrants, convertible notes or other rights to subscribe for Shares as at the Latest Practicable Date.

The Subscription Price was arrived at with reference to the market price of the Shares under the prevailing market conditions and was agreed on an arm's length basis between GZI Transport and Guangzhou Investment.

Guangzhou Investment, Yue Xiu, GZI Transport Holdings and the Four Subsidiaries have undertaken to GZI Transport that they will subscribe or procure their respective wholly-owned subsidiaries to subscribe in full for their respective entire entitlements under the Open Offer. In addition, Guangzhou Investment has agreed to provide the required funding to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted to the Four Subsidiaries pursuant to the Open Offer.

On 29th June, 2007, Guangzhou Investment entered into the Underwriting Agreement with GZI Transport. Pursuant to the Underwriting Agreement, Guangzhou Investment has agreed to subscribe for or procure subscribers to subscribe for the Underwritten Shares that are not subscribed for by the Public Shareholders of GZI Transport and Value Partners at the Subscription Price. The aggregate value of such Offer Shares amounts to approximately HK\$647 million.

On 29th June, 2007, Guangzhou Investment also entered into the Sub-underwriting Agreement with the Sub-underwriter. Pursuant to the Sub-underwriting Agreement, the Sub-underwriter has sub-underwritten 164,754,727 Offer Shares, all of which have been underwritten by the Underwriter provided that the Underwriter may decide not to call on the Sub-underwriter to take up any Offer Shares on condition that the public float of GZI Transport will not be lower than the prescribed minimum level of public float as required under the Listing Rules immediately following completion of the Open Offer. The entering into of the Sub-underwriting Agreement is to ensure that, immediately after the completion of the Open Offer, the Open Offer will not result in a further reduction of the

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public float of GZI Transport and, in the event that Value Partners remains as a substantial Shareholder immediately after the completion of the Open Offer due to its subscription of entitlements to the Offer Shares, the shareholding percentage of GZI Transport held by Guangzhou Investment and its associates will not increase.

Undertakings from Guangzhou Investment, Yue Xiu, GZI Transport Holdings and the Four Subsidiaries

As at the Latest Practicable Date, each of Yue Xiu and Guangzhou Investment was interested in 35,798,076 Shares and 134,000 Shares respectively, representing approximately 3.21% and 0.01% in the issued share capital of GZI Transport, directly or through wholly-owned subsidiaries respectively. In addition, Yue Xiu and Guangzhou Investment are also deemed to be interested in 750,000,000 Shares, representing approximately 67.24% of the issued share capital of GZI Transport, through GZI Transport Holdings, which is owned as to 49% by Yue Xiu and 51% by Guangzhou Investment respectively. GZI Transport Holdings in turn holds such Shares through the Four Subsidiaries.

Guangzhou Investment has irrevocably undertaken that it will subscribe for or procure subscription of all the 67,000 Offer Shares that will be allotted to it or its wholly-owned subsidiaries as the holders of such Shares pursuant to the Open Offer. Yue Xiu, has irrevocably undertaken that it will subscribe for or procure subscription of all the 17,899,038 Offer Shares that will be allotted to it or its wholly-owned subsidiaries as the holders of such Shares pursuant to the Open Offer.

GZI Transport Holdings has also irrevocably undertaken to GZI Transport that, it will procure the Four Subsidiaries to subscribe in full for their respective entire entitlements under the Open Offer. The Four Subsidiaries have also irrevocably undertaken that they will subscribe for all the 375,000,000 Offer Shares that will be allotted to them as the holders of such Shares pursuant to the Open Offer. Based on the Subscription Price of HK\$3.93 per Offer Share, the funding required for the subscription of 375,000,000 Offer Shares amounts to HK\$1.47 billion.

The Funding Arrangements and the Repayment Arrangements

Pursuant to the Loan Agreement dated 29th June, 2007 entered into among Yue Xiu, Guangzhou Investment, GZI Transport Holdings and the Four Subsidiaries, Guangzhou Investment has agreed to provide the required funding of HK\$1.47 billion, through its internal resources and/or bank borrowings, to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted to the Four Subsidiaries pursuant to the Open Offer. As such, Guangzhou Investment will provide an interest free loan of HK\$1.47 billion to GZI Transport Holdings, which in turn will provide such funding to the Four Subsidiaries. The Four Subsidiaries will use such funding towards subscription of the Offer Shares and upon the completion of the Open Offer, such funding due to Guangzhou Investment shall be repaid by the Four Subsidiaries by transferring to Guangzhou Investment and/or its nominees the ownership of the 375,000,000 Offer Shares allotted and issued to them in full settlement of the loan.

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Discloseable and Connected Transactions

As at the Latest Practicable Date, Yue Xiu is interested in 3,077,935,248 shares of Guangzhou Investment, representing approximately 45.12% of the issued share capital of Guangzhou Investment, and therefore a connected person of Guangzhou Investment, the provision of funding to GZI Transport Holdings, which is 49% beneficially owned by Yue Xiu, for the subscription of the 375,000,000 Offer Shares and the transfer of the 375,000,000 Offer Shares upon completion of the Open Offer from the Four Subsidiaries to Guangzhou Investment as repayment mentioned above constitute discloseable and connected transactions of Guangzhou Investment under the Listing Rules.

The entering into of the Underwriting Agreement between GZI Transport and Guangzhou Investment constitutes a connected transaction of Guangzhou Investment. Pursuant to the Underwriting Agreement, the Underwriter is obliged to subscribe for not more than 164,754,727 Offer Shares, representing the Offer Shares available for subscription by the Qualifying Shareholders other than Guangzhou Investment, Yue Xiu and the Four Subsidiaries (equivalent to an amount of approximately HK\$647 million payable by Guangzhou Investment as the Underwriter) in the event that all Shareholders (save for Guangzhou Investment, Yue Xiu and GZI Transport Holdings and their respective associates) do not take up their entitlement to the Offer Shares.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Increase in Shareholdings in GZI Transport at Significant Discount to Market Price

The Subscription Price of HK\$3.93 per Offer Share represents:

- (i) a discount of approximately 31.05% to the closing price of HK\$5.70 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 30.93% to the average closing price of HK\$5.69 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 30.57% to the average closing price of HK\$5.66 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 28.93% to the average closing price of HK\$5.53 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 23.09% to the theoretical ex-right price of HK\$5.11 based on the closing price of HK\$5.70 per Share as quoted on the Stock Exchange on the Last Trading Day; and

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(vi) a premium of approximately 4.80% over the audited consolidated net assets value (excluding minority interests) per Share of approximately HK\$3.75 as at 31st December, 2006.

Through the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement, Guangzhou Investment will increase its effective interest in GZI Transport from approximately 34.30% to 45.28% immediately upon completion of the Open Offer and the transfers by the Four Subsidiaries to Guangzhou Investment and/or its nominees of the 375,000,000 Offer Shares allotted to the Four Subsidiaries.

Having taken into account the significant discount of the Subscription Price as compared to the market price, the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement have provided a way for Guangzhou Investment to increase its effective interest in GZI Transport with a significant discount to market price. Therefore, we are of the opinion that the Funding Arrangements and the Repayment Arrangements which will increase Guangzhou Investment's effective interest in GZI Transport and the entering into the Underwriting Agreement are fair and reasonable and are in the interest of Guangzhou Investment and its Shareholders as a whole.

Comparison of GZI Transport to Other Listed Toll Roads Companies

Company (Stock Code)	Closing Price 27/6/2007 <i>(Note 1)</i>	P/E Ratio <i>(Note 2)</i>	P/Book Ratio <i>(Note 3)</i>	Growth in Earnings (Percentage) <i>(Note 4)</i>
Anhui Expressway (995)	6.41	11.4	1.97	35.8%
Road King Infrastructure (1098)	15.14	13.1	1.54	46.8%
Hopewell Highways (737)	7.23	18.6	2.07	24.6%
Sichuan Expressway (107)	2.31	20.1	1.19	18.6%
Zhejiang Expressway (576)	8.24	21.7	3.01	15.5%
Shenzhen Expressway (548)	6.11	22.9	2.02	5.5%
Jiangsu Expressway (177)	7.41	32.2	2.73	76.9%
Range		11.4 to 32.2	1.19 to 3.01	5.5% to 76.9%
GZI Transport (1052)	5.70	13.8	1.52	50.7%
GZI Transport (1052) — based on Subscription Price	3.93	9.52	1.05	50.7%

Notes:

1. The Last Trading Date
2. Based on earnings per share as per latest audited accounts of the companies
3. Based on net book value per share as per latest audited accounts of the companies

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4. The growth in annual earnings per share for the latest financial year over the previous financial year as per latest audited accounts of the companies

As per the above comparison with other major listed toll roads companies,

- (i) the price-to-earnings ratio of GZI Transport's Shares is the third lowest based on the closing price as at the Last Trading Date. If based on the Subscription Price of HK\$3.93 per Offer Share, the price-to-earnings ratio of GZI Transport's Shares is amongst the lowest;
- (ii) the price-to-book ratio of GZI Transport's Shares is the second lowest based on the closing price as at the Last Trading Date. If based on the Subscription Price of HK\$3.93 per Offer Share, the price-to-book ratio of GZI Transport's Shares is amongst the lowest; and
- (iii) the growth in annual earnings per share for the latest financial year over the previous financial year of GZI Transport's Shares is the second highest amongst major listed toll roads companies.

Therefore, based on the above comparison, we are of the view that investing in the Shares of GZI Transport at the Subscription Price is a good bargain in the market and is thus beneficial to Guangzhou Investment and its Shareholders. We are therefore of the opinion that the Funding Arrangements and the Repayment Arrangements which will increase Guangzhou Investment's effective interest in GZI Transport and the entering into the Underwriting Agreement are fair and reasonable and are in the interest of Guangzhou Investment and its Shareholders as a whole.

Development and Growth of GZI Transport

GZI Transport is an investment holding company, and its subsidiaries are principally engaged in toll road and bridge operations in Guangdong Province. The audited net profits of GZI Transport for the two years ended 31st December, 2005 and 31st December, 2006, as extracted from its annual report, were as follows:

	For the year ended	
	31st December	
	2005	2006
	(HK\$'000)	(HK\$'000)
Net profits (before taxation and extraordinary items)	372,326	523,604
Net profits (after taxation and extraordinary items)	337,893	487,912

As mentioned in the Letter from the Board, one of the principal objectives of the Open Offer is to raise sufficient funds for prospective acquisitions of interests in new toll expressways and bridges, principally in Guangdong Province. With the toll road network in first tier cities in PRC, such as Beijing, Shanghai, Guangzhou and Shenzhen, entering into mature stage, the Board of GZI

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Transport envisages that opportunities for participation in the development of or acquisition of interest in new quality toll expressways in these first tier cities would become less readily available. In February 2007, the relevant government authority of the Guangdong Province announced the 11th Five Year Comprehensive Transportation System Plan (“11th Plan”), which stated that an estimated RMB228.8 billion will be invested in about 35 major expressway projects (including 11 outbound expressway projects, 18 expressway projects within the province and 6 local expressway projects) to be constructed throughout the Guangdong Province. It is anticipated that about RMB159.1 billion will be invested in constructing expressways of 2,773 kilometres during the 11th Plan period. Therefore, it is believed that there will be tremendous opportunities for investing in expressway projects. To cope with the expected economic growth and the development in the Guangdong Province, it is believed that the 11th Plan represents a good investment opportunity for GZI Transport to further expand its operation in the Guangdong Province, a fast developing province in the PRC. By way of the Open Offer through which it is currently anticipated to raise approximately HK\$2,192 million (before expenses), GZI Transport will be in a stronger financial position to participate in different toll road projects in the PRC.

Having taken into account the strong growth of the results of GZI Transport and other major listed toll roads companies (as stated in the table headed “Comparison of GZI Transport to Other Listed Toll Roads Companies” above), we concur with the view of the Board of Guangzhou Investment and GZI Transport that the prospects for investing in expressway projects is positive. The Open Offer provides funding for GZI Transport to expand its business and so as to improve its profitability. Upon completion of the Open Offer, GZI Transport will continue to be a subsidiary of Guangzhou Investment. In addition, the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement will result in Guangzhou Investment to increase its effective interest in GZI Transport. Therefore, any growth and improvement in the results of GZI Transport will definitely be beneficial to Guangzhou Investment and its Shareholders. Thus, we are of the opinion that the Funding Arrangements and the Repayment Arrangements which will increase Guangzhou Investment’s effective interest in GZI Transport and the entering into the Underwriting Agreement are fair and reasonable and are in the interest of Guangzhou Investment and its Shareholders as a whole.

Strategy of Guangzhou Investment as Flagship for Holding Infrastructure Related Business and Increase of Effective Interest in GZI Transport

Guangzhou Investment is an investment company and its subsidiaries are principally engaged in property development, investment and management, operation of toll roads and bridges, manufacture and sale of newsprint. Yue Xiu and its subsidiaries are principally engaged in cement and ready mixed concrete production; finance, stocks and securities brokerage, and insurance services; investment in and operation of hotels; property investment and development; operation of toll roads and bridges; manufacture and sale of newsprint.

As per the Letter from the Board, it is the present strategy of Yue Xiu to utilize Guangzhou Investment as the flagship for holding the infrastructure related business, including GZI Transport. The Funding Arrangements and the Repayment Arrangements, assuming all other Shareholders take up their respective allotments of the Offer Shares in full, will facilitate Guangzhou Investment to increase its effective interest in GZI Transport from approximately 34.30% to 45.28% immediately upon completion of the Open Offer and the transfers by the Four Subsidiaries to Guangzhou Investment

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and/or its nominees of the 375,000,000 Offer Shares allotted to the Four Subsidiaries. The Funding Arrangements and the Repayment Arrangements will therefore provide an opportunity for Guangzhou Investment to further enhance its shareholding in GZI Transport and control over the GZI Transport Group.

Based on the financial results of GZI Transport for the year ended 31st December, 2006, it recorded an audited profit attributable to equity holders of approximately HK\$461 million and earnings per Share of HK\$0.413, representing a growth of approximately 50.7% over that of the previous financial year. In addition, based on the above financial comparison with other major listed toll roads companies, we are of the view that the strategy of Yue Xiu to utilize Guangzhou Investment as the flagship for holding the infrastructure related business, including GZI Transport and to increase its effective interest in GZI Transport are beneficial to Guangzhou Investment and its Shareholders. We are therefore of the opinion that the Funding Arrangements and the Repayment Arrangements which will increase Guangzhou Investment's effective interest in GZI Transport and the entering into the Underwriting Agreement are fair and reasonable and are in the interest of Guangzhou Investment and its Shareholders as a whole.

The Underwriting Agreement and the Sub-underwriting Agreement

Pursuant to the Underwriting Agreement, Guangzhou Investment has agreed to subscribe for or procure subscribers to subscribe for the Underwritten Shares that are not subscribed for by the Public Shareholders and Value Partners at the Subscription Price. The aggregate value of such 164,754,727 Offer Shares amounts to approximately HK\$647 million. Pursuant to the Underwriting Agreement, Guangzhou Investment will receive an underwriting commission of 1.75% which amounts to approximately HK\$11.3 million which will be fully passed on to the Sub-underwriter in accordance with the Sub-underwriting Agreement. Pursuant to the Sub-underwriting Agreement, the Sub-underwriter has sub-underwritten the 164,754,727 Offer Shares, all of which have been underwritten by Guangzhou Investment as the Underwriter provided that the Underwriter may decide not to call on the Sub-underwriter to take up any Offer Shares on condition that the public float of GZI Transport will not be lower than the prescribed minimum level of public float as required under the Listing Rules immediately following completion of the Open Offer. In the event that the prescribed minimum level of public float as required under the Listing Rules is restored by GZI Transport upon completion of the Open Offer, the Underwriter may call on the Sub-underwriter to take up only part of the Sub-underwritten Shares.

The entering into of the Sub-underwriting Agreement is to ensure that, immediately after the completion of the Open Offer, the Open Offer will not result in a further reduction of the public float of GZI Transport and, in the event that Value Partners remains as a substantial Shareholder immediately after the completion of the Open Offer due to its subscription of entitlements to the Offer Shares, the shareholding percentage of GZI Transport held by Guangzhou Investment and its associates will not increase.

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As analysed above, subscription of the Offer Shares at the Subscription Price and increase in its effective interest in GZI Transport at the Subscription Price are beneficial to Guangzhou Investment and its Shareholders as a whole. In addition, the Underwriting Agreement and the Sub-underwriting Agreement together provide an opportunity for Guangzhou Investment to further increase its effective interest in GZI Transport in the event and on condition that the prescribed minimum level of public float as required under the Listing Rules is restored by GZI Transport upon completion of the Open Offer by taking up part of the Underwritten Shares and calling on the Sub-underwriter to take up only part of the Sub-underwritten Shares.

Moreover, as mentioned in the Letter from the Board, the entering into of the Underwriting Agreement by Guangzhou Investment will enable Guangzhou Investment to maintain, support and enhance the value of its investment in GZI Transport since the Underwriting Agreement will ensure that the Open Offer will be fully subscribed. On the other hand, the Sub-underwriting Agreement will ensure that the completion of the Open Offer will not reduce the public float of GZI Transport while providing an opportunity for Guangzhou Investment to further increase its effective interest in GZI Transport in the event and on condition that the prescribed minimum level of public float as required under the Listing Rules is restored by GZI Transport upon completion of the Open Offer as mentioned above.

Although the underwriting commission of 1.75% which amounts to approximately HK\$11.3 million, which is to be received by Guangzhou Investment as the Underwriter pursuant to the Underwriting Agreement, will be fully passed on to the Sub-underwriter in accordance with the Sub-underwriting Agreement and resulting in Guangzhou Investment not receiving any underwriting commission in net, Guangzhou Investment is, without paying any additional cost, given the opportunity and flexibility to further increase its effective interest in GZI Transport in the event and on condition that the prescribed minimum level of public float as required under the Listing Rules is restored by GZI Transport upon completion of the Open Offer while ensuring the Open Offer to be fully subscribed and the public float of GZI Transport not to be reduced upon completion of the Open Offer through the Underwriting Agreement and the Sub-underwriting Agreement. Having taken all these into account, we are of the opinion that the entering into the Underwriting Agreement and the Sub-underwriting Agreement are fair and reasonable and is in the interest of Guangzhou Investment and its Shareholders as a whole.

Financial Impact on Guangzhou Investment

(i) *The Funding Arrangements and the Repayment Arrangements*

Consolidated Net Assets and Consolidated Net Profits

Pursuant to the Loan Agreement, Guangzhou Investment has agreed to provide an interest free loan of HK\$1.47 billion to GZI Transport Holdings for the subscription of all the Offer Shares that will be allotted to the Four Subsidiaries pursuant to the Open Offer and the Four Subsidiaries will use such funding towards subscription of the Offer Shares and upon the completion of the Open Offer, such funding due to Guangzhou Investment shall be repaid by the Four Subsidiaries transferring to Guangzhou Investment the ownership of the 375,000,000 Offer Shares allotted and issued to them in full settlement of the loan. All the costs relating to these

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arrangements including, such as stamp duty amounting to approximately HK\$3 million, will be borne by GZI Transport Holdings, although the same will be settled by Guangzhou Investment first. Such cost together with the required funding will be repaid by GZI Transport Holdings by procuring the transfers by the Four Subsidiaries to Guangzhou Investment of the ownership of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries.

As at the Latest Practicable Date, GZI Transport is a subsidiary of Guangzhou Investment. Upon completion of the Open Offer, GZI Transport will continue to be a subsidiary of Guangzhou Investment and therefore the account of GZI Transport Group will continue to be consolidated into the accounts of the Guangzhou Investment Group. Although the Subscription Price of HK\$3.93 per Offer Share represents a premium of approximately 4.80% over the audited consolidated net assets value (excluding minority interests) per Share of approximately HK\$3.75 as per the audited financial statements of GZI Transport as at 31st December, 2006, the Board of Directors of Guangzhou Investment confirmed that such premium will be treated as goodwill and reserve in the consolidated account of Guangzhou Investment Group. Therefore, there will be no impact on the consolidated net profits of Guangzhou Investment Group.

As mentioned in the Letter from the Board, the Funding Arrangements will be financed by internal resources and/or bank borrowings. If Guangzhou Investment is to finance the Funding Arrangements by internal resources, the cash of HK\$1.47 billion for the loan lent to GZI Transport Holdings which in turn will be used for subscription of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries will be included in the consolidated accounts of GZI Transport Group which will in turn be consolidated into the consolidated accounts of the Guangzhou Investment Group. Therefore, with the required funding being repaid by GZI Transport Holdings by procuring the transfers by the Four Subsidiaries to Guangzhou Investment of the ownership of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries, there will be no impact on the consolidated net assets of Guangzhou Investment Group after the completion of the Funding Arrangements and the Repayment Arrangements.

On the other hand, in the event that Guangzhou Investment is to finance the Funding Arrangements by bank borrowings, after completion of the Funding Arrangements and the Repayment Arrangements, the borrowings and the assets of Guangzhou Investment Group will increase by the same amount and therefore after the completion of the Funding Arrangements and the Repayment Arrangements, there will also be no impact on the consolidated net assets of Guangzhou Investment Group.

Moreover, it is the intention of Guangzhou Investment to hold its interest in GZI Transport as a long term investment and GZI Transport will continue to be a subsidiary of Guangzhou Investment, the consolidated net assets and the consolidated net profits of Guangzhou Investment Group will therefore not be affected by any fluctuation in the market price of GZI Transport Shares.

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As mentioned above, all the costs relating to the Funding Arrangements and the Repayment Arrangements including, such as stamp duty amounting to approximately HK\$3 million, will be borne by GZI Transport Holdings, although the same will be settled by Guangzhou Investment first and such costs together with the required funding will be repaid by GZI Transport Holdings by procuring the transfers by the Four Subsidiaries to Guangzhou Investment of the ownership of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries. Therefore, such approximately HK\$3 million costs will, together with the premium of the Subscription Price over the audited consolidated net assets value per GZI Transport Share, be treated as goodwill and reserve in the consolidated account of Guangzhou Investment Group. Hence, such costs will also have no impact on the consolidated net assets and the consolidated net profits of Guangzhou Investment Group.

However, as mentioned in the Letter from the Board, in the event that Guangzhou Investment decides to finance the Funding Arrangements by bank borrowings, Guangzhou Investment will be responsible for the finance costs amounting to approximately HK\$3 million, being the estimated aggregate interest to be incurred for a period of two weeks. Such finance costs will generate a consolidated net loss of approximately HK\$3 million for Guangzhou Investment Group and hence decrease the consolidated net assets of Guangzhou Investment Group by approximately HK\$3 million.

However, according to the latest audited financial statements of Guangzhou Investment, as at 31st December, 2006, the audited consolidated net assets of Guangzhou Investment was approximately HK\$15.0 billion. For the year ended 31st December, 2006, the audited consolidated net profits of Guangzhou Investment was approximately HK\$1.02 billion. Therefore, we are of the view that the impact of such finance costs of HK\$3 million on the consolidated net profits and the consolidated net assets of Guangzhou Investment Group is immaterial and are thus of the opinion that Funding Arrangements and the Repayment Arrangements in aggregate have no material net impact on the consolidated net profits and the consolidated net assets of Guangzhou Investment Group.

Cashflow Position

As mentioned above, if Guangzhou Investment is to finance the Funding Arrangements by internal resources, the cash of HK\$1.47 billion for the loan lent to GZI Transport Holdings which in turn will be used for subscription of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries will be included in the consolidated accounts of GZI Transport Group which will in turn be consolidated into the consolidated accounts of the Guangzhou Investment Group. If in the event that Guangzhou Investment is to finance the Funding Arrangements by bank borrowings, after completion of the Funding Arrangements and the Repayment Arrangements, the borrowings and the assets of Guangzhou Investment Group will increase by the same amount. Therefore, both arrangements will have no impact on the consolidated cashflow position of Guangzhou Investment Group.

The only impacts on the consolidated cashflow will be (i) the costs relating to the Funding Arrangements and the Repayment Arrangements including, such as stamp duty amounting to approximately HK\$3 million, which will, together with the loan of HK\$1.47 billion, be settled

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by GZI Transport Holdings by procuring the transfers by the Four Subsidiaries to Guangzhou Investment of the ownership of the 375,000,000 Offer Shares allotted and issued to the Four Subsidiaries, and (ii) in the event that Guangzhou Investment decides to finance the Funding Arrangements by bank borrowings, Guangzhou Investment will be responsible for the finance costs amounting to approximately HK\$3 million, being the estimated aggregate interest to be incurred for a period of two weeks.

However, according to the audited consolidated balance sheet of Guangzhou Investment as at 31st December, 2006, it had over HK\$2.3 billion of cash and bank balances. As mentioned above, all the costs relating to the Funding Arrangements amount to only approximately HK\$3 million and in the event that Guangzhou Investment decides to finance the Funding Arrangements by bank borrowings, the finance costs also amount to only approximately HK\$3 million, being the estimated aggregate interest to be incurred for a period of two weeks. All such costs in aggregate amount to a maximum of approximately HK\$6 million only. Therefore, having taken into account the over HK\$2.3 billion of cash and bank balances of Guangzhou Investment, we are of the view that the Funding Arrangements and the Repayment Arrangements will in aggregate have no material net impact on the cashflow position in the consolidated account of Guangzhou Investment Group.

Although the loan of HK\$1.47 billion provided by Guangzhou Investment to GZI Transport Holdings under the Loan Agreement for the subscription of all the Offer Shares that will be allotted to the Four Subsidiaries pursuant to the Open Offer is interest free and there will be some immaterial negative financial impact on the consolidated net assets, the consolidated net profits and the consolidated cashflow position of Guangzhou Investment Group as a result of the Funding Arrangements and the Repayment Arrangements, having taken into account all the above analysis on the benefits of the Funding Arrangements and the Repayment Arrangements on Guangzhou Investment and its Shareholders as a whole and the immaterial size of such negative impacts, we are still of the opinion that the Funding Arrangements and the Repayment Arrangements are fair and reasonable and are in the interest of Guangzhou Investment and its Shareholders as a whole.

(ii) ***The Underwriting Agreement and the Sub-underwriting Agreement***

Consolidated Net Assets, Consolidated Net Profits and Cashflow Position

Pursuant to the Underwriting Agreement, Guangzhou Investment has agreed to subscribe for or procure subscribers to subscribe for the Underwritten Shares that are not subscribed for by the Public Shareholders and Value Partners at the Subscription Price. The aggregate value of such 164,754,727 Offer Shares amounts to approximately HK\$647 million. Pursuant to the Underwriting Agreement, Guangzhou Investment will receive an underwriting commission of 1.75% which amounts to approximately HK\$11.3 million which will be fully passed on to the Sub-underwriter in accordance with the Sub-underwriting Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Sub-underwriting Agreement, the Sub-underwriter has sub-underwritten the 164,754,727 Offer Shares, all of which have been underwritten by Guangzhou Investment as the Underwriter provided that the Underwriter may decide not to call on the Sub-underwriter to take up any Offer Shares on condition that the public float of GZI Transport will not be lower than the prescribed minimum level of public float as required under the Listing Rules immediately following completion of the Open Offer. In the event that the prescribed minimum level of public float as required under the Listing Rules is restored by GZI Transport upon completion of the Open Offer, the Underwriter may call on the Sub-underwriter to take up only part of the Sub-underwritten Shares.

Assuming Guangzhou Investment does not take up any additional GZI Transport Shares in the Open Offer, the Underwriting Agreement and the Sub-underwriting Agreement together will have no impact on the consolidated net assets, the consolidated net profits and the consolidated cashflow position of Guangzhou Investment Group.

Guangzhou Investment will only take up additional GZI Transport Shares pursuant to the Underwriting Agreement if (i) Guangzhou Investment is required to fulfil its obligations under the Underwriting Agreement; (ii) the public float of GZI Transport is restored to the minimum level prescribed by the Listing Rules; and (iii) Guangzhou Investment decides not to require the Sub-underwriter to take up the Sub-underwritten Shares provisionally allotted to Value Partners which were not subscribed for and applied for through excess application. Under such situation, the maximum number of GZI Transport Shares that Guangzhou Investment may take up is expected to be not more than 70,488,000 GZI Transport Shares, representing approximately 4.21% of the issued share capital of GZI Transport as enlarged by the Open Offer.

As mentioned above, as at the Latest Practicable Date, GZI Transport is a subsidiary of Guangzhou Investment. Upon completion of the Open Offer, the Funding Arrangements and the Repayment Arrangements, GZI Transport will continue to be a subsidiary of Guangzhou Investment and therefore the account of GZI Transport Group will continue to be consolidated into the accounts of the Guangzhou Investment Group. The taking up of additional GZI Transport Shares by Guangzhou Investment under the above situation will not affect such position.

The funding required to subscribe for the abovementioned 70,488,000 Shares of GZI Transport at the Subscription Price is expected to be approximately HK\$277 million. If Guangzhou Investment finances the HK\$277 million by internal resources, such cash will be included in the consolidated accounts of GZI Transport Group which will in turn be consolidated into the consolidated accounts of the Guangzhou Investment Group. Therefore, the subscription of such additional GZI Transport Shares by Guangzhou Investment will have no impact on the consolidated net assets of Guangzhou Investment Group.

In the event that Guangzhou Investment finances the abovementioned HK\$277 million by bank borrowings, both the borrowings and the assets of Guangzhou Investment Group will increase by the same amount and therefore the subscription of such additional GZI Transport Shares by Guangzhou Investment will also have no impact on the consolidated net assets of Guangzhou Investment Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, it is the intention of Guangzhou Investment to hold its interest in GZI Transport as a long term investment and GZI Transport will continue to be a subsidiary of Guangzhou Investment, the consolidated net assets and the consolidated net profits of Guangzhou Investment Group will therefore not be affected by any fluctuation in the market price of GZI Transport Shares.

As mentioned above, the Subscription Price of HK\$3.93 per Offer Share represents a premium of approximately 4.80% over the audited consolidated net assets value (excluding minority interests) per Share of approximately HK\$3.75 as per the audited financial statements of GZI Transport as at 31st December, 2006. The premium arisen from the taking up of any additional GZI Transport Shares by Guangzhou Investment will again be treated as goodwill and reserve in the consolidated account of Guangzhou Investment Group. Therefore, there will also be no impact on the consolidated net profits of Guangzhou Investment Group.

As mentioned above, any cash for the taking up of additional GZI Transport Shares by Guangzhou Investment will be consolidated in the consolidated accounts of GZI Transport Group which in turn will be consolidated in the consolidated accounts of Guangzhou Investment Group. Therefore, the taking up of any additional GZI Transport Shares by Guangzhou Investment will also be no impact on the consolidated cashflow position of Guangzhou Investment Group.

(iii) *Cashflow Resources of Guangzhou Investment*

According to the audited consolidated balance sheet of Guangzhou Investment Group as at 31st December, 2006, it had over HK\$2.3 billion of cash and bank balances. As mentioned above, (i) the fund required for the Funding Arrangements is HK\$1.47 billion, (ii) all the costs relating to the Funding Arrangements amount to only approximately HK\$3 million, and (iii) the maximum number of additional GZI Transport Shares that Guangzhou Investment may take up in the Open Offer under the Underwriting Agreement and the Sub-underwriting Agreement is expected to be not more than 70,488,000 GZI Transport Shares which amount to approximately HK\$277 million. With the availability of bank borrowings, we are of the opinion that Guangzhou Investment has sufficient cashflow resources for the Funding Arrangements, the Repayment Arrangements, the Underwriting Agreement and the Sub-underwriting Agreement.

Having taken into account the above analysis, we are of the view that the Funding Arrangements, the Repayment Arrangements, the Underwriting Agreement and the Sub-underwriting Agreement will in aggregate have no material net financial impact on the consolidated account of Guangzhou Investment Group. Having taken this into account and all the above analysis on the benefits of the Funding Arrangements, the Repayment Arrangements, the Underwriting Agreement and the Sub-underwriting Agreement, we are of the opinion that the Funding Arrangements, the Repayment Arrangements, the Underwriting Agreement and the Sub-underwriting Agreement are fair and reasonable and are in the interest of Guangzhou Investment and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration all the principal factors and reasons as set out above, we are of the view that the terms of the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement are fair and reasonable and are in the interest of Guangzhou Investment and its Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the resolutions at the EGM to approve the Funding Arrangements, the Repayment Arrangements and the Underwriting Agreement.

Yours faithfully,

For and on behalf of

YU MING INVESTMENT MANAGEMENT LIMITED

Warren Lee

Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Guangzhou Investment. The Directors of Guangzhou Investment collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTOR'S INTERESTS IN GUANGZHOU INVESTMENT

Save as disclosed below, as at the Latest Practicable Date, none of the Directors of Guangzhou Investment, chief executive (if any) or their respective associates had any interests or short positions in the Shares of Guangzhou Investment or debentures of Guangzhou Investment or any of its associated corporations (within the meaning of the SFO) which are (a) required to be notified to Guangzhou Investment and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by Guangzhou Investment pursuant to Section 352 of the SFO; or (c) required to be notified to Guangzhou Investment and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(a) Long Positions in Shares of Guangzhou Investment and its associated corporations

Name of Director of Guangzhou Investment	Interest in Guangzhou Investment or its associated corporations	Capacity in holding interest	Approximate % of shareholding in the total issued Shares of Guangzhou Investment	Number of Shares of Guangzhou Investment
Mr. Wang Hongtao	Guangzhou Investment	Beneficial owner	0.00	320,000
Mr. Yu Lup Fat Joseph	Guangzhou Investment	Beneficial owner	0.02	1,500,000
Mr. Lee Ka Lun	Guangzhou Investment	Beneficial owner	0.05	3,500,000
Ms. Zhou Jin	Guangzhou Investment	Beneficial owner	0.00	100,000

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

Name of Director of Guangzhou Investment	Interest in Guangzhou Investment or its associated corporations	Capacity in holding interest	Date of grant (Note)	Exercise price per Share of Guangzhou Investment HK\$	Number of outstanding share options
Mr. Ou Bingchang	Guangzhou Investment	Beneficial owner	02/06/2003 ¹	0.5400	9,000,000
Mr. Liang Yi	Guangzhou Investment	Beneficial owner	02/06/2003 ¹	0.5400	7,000,000
Mr. Li Fei	Guangzhou Investment	Beneficial owner	02/06/2003 ¹	0.5400	7,000,000
Mr. Tang Shouchun	Guangzhou Investment	Beneficial owner	23/06/2004 ²	0.6300	1,560,000

Notes:

1. The share options are exercisable from 2 June 2003 to 1 June 2013, of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of the grant, respectively.
2. The share options are exercisable from 23 June 2004 to 22 June 2014, of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)) are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the date of the grant, respectively.

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

As at the Latest Practicable Date, none of the Directors of Guangzhou Investment or their respective associates had any competing interest with the Guangzhou Investment Group.

As at the Latest Practicable Date, none of the Directors of Guangzhou Investment or the chief executive of Guangzhou Investment or expert named in paragraph 4 below had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Guangzhou Investment Group, or were proposed to be acquired or disposed of by or leased to any member of the Guangzhou Investment Group since 31 December 2006, being the date to which the latest published audited financial statements of the Guangzhou Investment Group were made up.

3. DISCLOSABLE INTERESTS OF SHAREHOLDERS OF GUANGZHOU INVESTMENT

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director and chief executive (if any) of Guangzhou Investment, no person (not being a Director or the chief executive (if any) of Guangzhou Investment has an interest or short position in the Shares of Guangzhou Investment or underlying shares of Guangzhou Investment which would fall to be disclosed under the provision 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 positions of the SFO), or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of Guangzhou Investment:

Name of shareholder	Capacity in holding interest	Long/short position	Approximate % of shareholding in the total issued Shares of Guangzhou Investment	Number of Shares of Guangzhou Investment held
Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”) (<i>Note</i>)	Interest of controlled corporations	Long position	48.89	3,334,935,248

Note: Yue Xiu is deemed by the SFO to be interested in 3,308,340,486 Shares of Guangzhou Investment (which includes its deemed interest in the consideration shares as disclosed in the Company’s announcement dated 9 July 2007) as a result of its indirect holding of such Shares of Guangzhou Investment 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 corporations	Long position	3,068,548,981
Bosworth International Limited	Beneficial Owner	Long position	2,173,846,821
Sun Peak Enterprises Ltd. (“Sun Peak”) (<i>Note ii</i>)	Interest of controlled corporation	Long position	565,683,000
Novena Pacific Limited (“Novena”)	Beneficial Owner	Long position	565,683,000
Shine Wah Worldwide Limited (“Shine Wah”) (<i>Note iii</i>)	Interest of controlled corporation	Long position	158,049,000
Morrison Pacific Limited (“Morrison”)	Beneficial Owner	Long position	158,049,000
Perfect Goal Development Co., Ltd. (“Perfect Goal”) (<i>Note iv</i>)	Interest of controlled corporation	Long position	135,737,000
Greenwood Pacific Limited (“Greenwood”)	Beneficial Owner	Long position	135,737,000

Name	Capacity in holding interest	Long/short position	Number and class of securities held
Seaport Development Limited (“Seaport”) (Note v)	Interest of controlled corporation	Long position	35,233,160
Goldstock International Limited (“Goldstock”)	Beneficial Owner	Long position	35,233,160
Yue Xiu Finance Company Limited	Beneficial Owner	Long position	9,386,267
The Conqueror Capital Ltd. (“Conqueror Capital”) (Note vi)	Interest of controlled corporation	Long position	159,420,819
Hi-Watt Battery Industry Co., Ltd. (“Hi-Watt”) (Note vi)	Beneficial owner	Long position	159,420,819
Yue Xiu International Development Limited (“Yue Xiu International”) (Note vii)	Beneficial owner	Long position	70,984,419

Notes:

- i. Excellence, a wholly-owned subsidiary of Yue Xiu, is deemed by the SFO to be interested in 3,068,548,981 Shares of Guangzhou Investment as a result of its indirect holding of such Shares of Guangzhou Investment through its wholly-owned subsidiaries.
- ii. Sun Peak is deemed by the SFO to be interested in 565,683,000 Shares of Guangzhou Investment as a result of its indirect holding of such Shares of Guangzhou Investment through its wholly-owned subsidiary, Novena.
- iii. Shine Wah is deemed by the SFO to be interested in 158,049,000 Shares of Guangzhou Investment as a result of its indirect holding of such Shares of Guangzhou Investment through its wholly-owned subsidiary, Morrison.
- iv. Perfect Goal is deemed by the SFO to be interested in 135,737,000 Shares of Guangzhou Investment as a result of its indirect holding of such Shares of Guangzhou Investment through its wholly-owned subsidiary, Greenwood.
- v. Seaport is deemed by the SFO to be interested in 35,233,160 Shares of Guangzhou Investment as a result of its indirect holding of such Shares of Guangzhou Investment through its wholly-owned subsidiary, Goldstock.
- vi. Hi-Watt, a wholly-owned subsidiary of Yiu Xiu, is interested in 159,420,819 new Shares to be issued by the Company as consideration as disclosed in the Company’s announcement dated 9 July 2007. Conqueror Capital, which owns as to 46.65% of the total issued share capital of Hi-Watt, is deemed by the SFO to be interested in the said 159,420,819 Shares as a result of its direct holding of such Shares through Hi-Watt.
- vii. Yue Xiu International, a wholly-owned subsidiary of Yue Xiu, is interested in 70,984,419 new Shares to be issued by the Company as consideration as disclosed in the Company’s announcement dated 9 July 2007.

4. EXPERT

- (a) The following is the qualifications of the expert who has provided its opinion or advice, which is referred to in this circular:

Name	Qualification
Yu Ming	a deemed licensed corporation for types 1, 4, 6 and 9 regulated activities under the SFO

- (b) As at the Latest Practicable Date, Yu Ming had no direct or indirect shareholding in any member of the Guangzhou Investment Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Guangzhou Investment Group.
- (c) Yu Ming has not withdrawn its written consent to the issue of this circular with the inclusion therein of its report / letter and references to its name in the form and context in which they appear.
- (d) The letter and advice given by Yu Ming is given as of the date of this circular for incorporation herein.

5. SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

Save as disclosed in the annual report of Guangzhou Investment for the year ended 31 December 2006, the Directors of Guangzhou Investment are not aware of any other material adverse changes in the financial or trading position or prospects of the Guangzhou Investment Group since 31 December 2006, being the date to which the latest audited consolidated financial statements of the Guangzhou Investment Group were made up.

7. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS OF GUANGZHOU INVESTMENT

Article 58 of the articles of association of Guangzhou Investment sets out the procedure by which Shareholders of Guangzhou Investment may demand a poll:

At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of a show of hands) a poll is duly demanded or a poll is required under the Listing Rules. A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) not less than five members having the right to vote at the meeting; or
- (iii) a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members holding Shares of Guangzhou Investment conferring a right to vote on the resolution on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares of Guangzhou Investment conferring that right.

In accordance with Rule 13.39(4) of the Listing Rules, Guangzhou Investment will procure the chairman of the meeting to demand a poll for approving (i) the Funding Arrangements and the Repayment Arrangements as contemplated under the Loan Agreement; and (ii) the Underwriting Agreement and the transactions contemplated thereunder as set out in this circular.

8. GENERAL

- (a) As at the Latest Practicable Date, the Directors of Guangzhou Investment are not aware of any litigation, arbitration or claim of material importance pending or threatened against the Guangzhou Investment Group.
- (b) The registered office of Guangzhou Investment is situated at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.
- (c) The company secretary of Guangzhou Investment is Mr. Yu Tat Fung, solicitor of the High Court of Hong Kong.

- (d) The qualified accountant of Guangzhou Investment is Mr. Chow Wai Kit. He is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow is also an associate member of The Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Guangzhou Investment at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong during normal office hours on any Business Day, from the date of this circular up to and including 2 August 2007:

- (a) the memorandum and articles of association of Guangzhou Investment;
- (b) the audited consolidated financial statement of Guangzhou Investment Group for each of the two financial years ended 31 December 2005 and 31 December 2006;
- (c) the letter from independent board committee to the independent Shareholders of Guangzhou Investment, the text of which is set out on pages 25 to 26 of this circular;
- (d) the letter of advice from Yu Ming to the independent board committee and the independent Shareholders of Guangzhou Investment, the text of which is set out on pages 27 to 41 of this circular;
- (e) the letter of consent referred to under the paragraph headed “Expert” in this appendix;
- (f) the Underwriting Agreement;
- (g) the Sub-underwriting Agreement; and
- (h) the Loan Agreement.

NOTICE OF EGM



越秀投資有限公司

GUANGZHOU INVESTMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 123)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Guangzhou Investment Company Limited (“**Company**”) will be held at 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong on Monday, 6 August 2007 at 9:00 a.m. for the purposes of considering and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

Resolution No. 1

“**THAT** the Funding Arrangements and the Repayment Arrangements as contemplated under the loan agreement dated 29 June 2007 (the “**Loan Agreement**”) entered into, among others, the Company, GZI Transport (Holdings) Limited (“**GZI Transport (Holdings)**”) and the Four Subsidiaries, a copy of which has been produced to the Meeting and marked “**A**” and signed by the Chairman of the Meeting for the purposes of identification be and are hereby approved and the execution, delivery and performance by the Company of the Loan Agreement be and are hereby ratified, confirmed and approved **AND THAT** the directors of the Company (the “**Directors**”) be and are hereby authorized to do on behalf of the Company whatever they may consider necessary, desirable or expedient for the purposes of, or in connection with, the performance and implementation of the Loan Agreement and generally to do all acts and deeds and execute all agreements and documents required or contemplated under the Loan Agreement or otherwise to make such amendments thereto as the Directors may consider necessary, desirable or expedient.”

Resolution No. 2

“**THAT** the underwriting agreement dated 29 June 2007 (the “**Underwriting Agreement**”) entered into, among others, the Company and GZI Transport Limited (“**GZI Transport**”) in relation to the appointment of the Company to act as the underwriter of the Open Offer by GZI Transport, a copy of which has been produced to the Meeting and marked “**B**” and signed by the Chairman of the Meeting for the purposes of identification be and is hereby approved and the execution, delivery and performance by the Company of the Underwriting Agreement be and are hereby ratified, confirmed and approved **AND THAT** the Directors of the Company be and are hereby authorized to do on behalf of the Company whatever they may consider necessary, desirable or expedient for the purposes of, or in connection with, the performance and implementation of the Underwriting Agreement and generally to do all acts and deeds and execute all agreements and documents required or contemplated under the Underwriting Agreement or otherwise to make such amendments thereto as the Directors may consider necessary, desirable or expedient.”

NOTICE OF EGM

“**Excluded Shareholders**” means the overseas shareholders of GZI Transport whom the directors of GZI Transport consider, after making relevant enquiry, in the absence of a registration statement or other special formalities, the offer of the Offer Shares to them would or might, in the opinion of the directors of GZI Transport, be unlawful or impracticable.

“**Four Subsidiaries**” means four wholly-owned subsidiaries of GZI Transport (Holdings), namely Housemaster Holdings Limited, Power Head Limited, Delta Force Holdings Limited and Lawson Enterprises Limited.

“**Funding Arrangements**” means the provision of funding by the Company to GZI Transport (Holdings) for the subscription of the Offer Shares allotted and issued to the Four Subsidiaries as contemplated under the Loan Agreement.

“**Open Offer by GZI Transport**” means the proposed offer of the Offer Shares by GZI Transport on the basis of one Offer Share for every two existing shares of HK\$0.10 each of GZI Transport held by the shareholders of GZI Transport, other than the Excluded Shareholders, as at the close of business on 6 August 2007 (or such other date as GZI Transport and the Company may agree in writing) at HK\$3.93 per Offer Share, as more particularly described in the prospectus, the application form and the excess application form to be issued by GZI Transport.

“**Offer Shares**” means 557,720,765 new shares of HK\$0.10 each in the share capital of GZI Transport.

“**Repayment Arrangements**” means the repayment of the funding provided by the Company to GZI Transport (Holdings) in relation to the Funding Arrangements by transferring the Offer Shares allotted and issued to the Four Subsidiaries to the Company and/or its nominees free of charge at completion of the Open Offer by GZI Transport as contemplated under the Loan Agreement.

By order of the Board
Yu Tat Fung
Company Secretary

Hong Kong, 20 July 2007

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

Notes:

- (1) The register of members of the Company will be closed on Friday, 3 August 2007 to Monday, 6 August 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong no later than 4:00 p.m. on Thursday, 2 August 2007.

NOTICE OF EGM

- (2) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- (3) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's share registrar, Abacus Share Registrars Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting thereof.
- (5) Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting. If such member attends the meeting, however, his form of proxy will be deemed to have been revoked.
- (6) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.