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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF EQUITY INTERESTS IN A COMPANY OPERATING AN EXPRESSWAY IN HENAN PROVINCE, THE PRC

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

ACQUISITION OF THE EQUITY INTERESTS IN A COMPANY OPERATING AN EXPRESSWAY IN HENAN PROVINCE

On 17 October 2022, the Vendor (a connected person of the Company) and the Purchaser (a wholly-owned subsidiary of the Company) entered into the SPA whereby the Vendor agreed to sell and the Purchaser agreed to purchase 100% of the equity interest in the Target Company at the purchase price of RMB1,098,000,000.

Completion of the Acquisition is subject to the fulfillment (or waiver, if applicable) of the conditions precedent provided under the SPA. Upon Completion, the Company will indirectly own 100% of the equity interests in the Target Company. Accordingly, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

The principal business of the Target Company is holding the Toll Collection Right and operating the Target Expressway (namely, the Lanwei Expressway), an expressway located in Henan Province.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Expressway is located in the core development region of Zhongyuan* (中原) city cluster, and is an important component of Lannan Expressway* (蘭南高速) in Henan. The Target Expressway has been in operation for nearly 17 years since it had been opened for traffic in 2005. Both the expressway networks connecting to the Target Expressway and expressway networks near the Target Expressway are very mature and stable.

The Target Company recorded profits in the first year (2021) after its acquisition of the Toll Collection Right in the Judicial Auction in December 2020. Further, the revenue of the Target Company for the seven months ended 31 July 2022 increased by approximately 10.51% as compared to the same in the corresponding period in 2021, and its net profits (before taxation) even increased substantially by nearly 44.37%. The Company believes that the Target Company can bring profits to the Group starting from 2023. The Company also believes that the Target Company will continue to bring impetus to the growth of the Group's toll income and profits in the future. Upon completion of the Acquisition, the toll mileage of the Group's controlled expressways will increase from 495.2 km to 556.23 km, representing an increment of approximately 12.32%. To sum up, the Group's revenue, profit and toll mileage will be enhanced after completion of the Acquisition, which will help to weaken the impact of the spin-off of Wuhan-Xiaogan Expressway* (漢孝高速公路) from the Group for listing on the Shenzhen Stock Exchange in December 2021.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

The Acquisition constitutes both a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company will convene a special general meeting at which a resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Acquisition.

In accordance with the Listing Rules, the Independent Board Committee has been established to consider the Acquisition and to advise the Independent Shareholders on how to vote on the resolution to be proposed at the SGM in relation thereto. An independent financial adviser as required under the Listing Rules has been appointed by the Company to advise the Independent Board Committee as well as the Independent Shareholders in this regard.

SGM AND CIRCULAR

As at the Announcement Date, it is expected that the Circular containing information as required under the Listing Rules together with the notice of the SGM will be dispatched to the Shareholders on or before 30 November 2022.

1. INTRODUCTION

The Board announces that on 17 October 2022 (after trading hours), the Vendor (a connected person of the Company) and the Purchaser (a wholly-owned subsidiary of the Company) entered into the SPA whereby the Vendor agreed to sell, and the Purchaser agreed to buy, the Target Equities. Further information on the Acquisition is set out below.

2. THE SPA AND RELEVANT INFORMATION

Set out below is a summary of the principal terms of the SPA and the relevant information:

(a) Date

17 October 2022 (after trading hours).

(b) Parties

The Vendor and the Purchaser.

(c) Assets to be acquired

The assets to be acquired by the Purchaser are 100% of the equity interests in the Target Company.

The Target Company was established by the Vendor and the entire capital of the Target Company was contributed by the Vendor solely, therefore there is no original acquisition cost of the Target Equities to the Vendor. Assuming that the total capital contributed by the Vendor to the Target Company in the aggregate amount of RMB990,000,000 is the original acquisition cost of the Target Equities to the Vendor, the Total Consideration (RMB1,098,000,000) would be higher than the Vendor's original acquisition cost. Such difference is primarily attributable to the appraised market value of the Target Equities (RMB1,111,000,000) as disclosed in section 2(e) of this announcement being higher than the total amount of capital contributed by the Vendor to the Target Company. As to the information on, among other things, the auction price at which the Target Company acquired the Toll Collection Right in the Judicial Auction, such information has been disclosed in section 3.1 of this announcement.

(d) Consideration: amount and the financing thereof

The total consideration for the Acquisition (“**Total Consideration**”) is RMB1,098,000,000.

The Total Consideration is payable in cash. As at the Announcement Date, the Company intends to finance approximately 60% of the Total Consideration by bank loan for acquisition and approximately 40% by internal resources.

(e) Basis for determining the Total Consideration

The Total Consideration, as determined after the Purchaser has taken into account the market value of the Target Equities as at 31 July 2022 as disclosed below and the factors mentioned in section 7 (REASONS FOR AND BENEFITS OF THE ACQUISITION) of this announcement and arm's length negotiation between the Parties, represents a discount of approximately 1.17% of the appraised market value of the Target Equities (in the amount of RMB1,111,000,000) according to the Valuation Report.

The market value of the Target Equities as at 31 July 2022 was appraised by Savills under the income approach with discounted cash flow method which constituted a profit forecast ("**Profit Forecast**") under rule 14.61 of the Listing Rules. Based on the free cash flow to equity and the appraised market value of the Target Equities at RMB1,111,000,000, the internal rate of return is estimated at 9.50%. Please refer to section 5.1 below for the principal assumptions on which the Profit Forecast was based.

(f) Payment of the Total Consideration

Subject to the Conditions having been fulfilled (or having been waived in the case of the Condition disclosed in section (g)(ii) below), the Purchaser may elect to pay the Total Consideration before the Completion Date, on the Completion Date or after the Completion Date in one lump sum provided that the Total Consideration shall be paid no later than the fifth working day after the Effective Date.

(g) Conditions

Completion is conditional upon the fulfillment (or waiver, where applicable) of the Conditions as set out below:

- (i) the Company having issued the Circular and the Independent Shareholders having approved the transactions contemplated by the SPA, each in accordance with the Listing Rules;
- (ii) the specified representations and warranties given by the Vendor under the SPA (such as those disclosed in section (h) below) shall remain true, accurate and complete and have no omission and not misleading on each day from the signing of the SPA up to the Submission Day; and
- (iii) the Target Company having obtained consent or no objection from its creditor bank in writing for the Acquisition pursuant to the terms of the relevant loan documents.

None of the Parties may waive the Condition set out in (i) above.

The Purchaser may waive the Condition to be fulfilled by the Vendor and/or the Target Company as procured by the Vendor set out in (ii) above.

If the Conditions cannot be fulfilled (or waived, where applicable) on or before 31 December 2022, the SPA shall be terminated automatically unless the Parties agree to an extension.

As at the Announcement Date, save and except that the Condition set out in (iii) above has already been fulfilled, none of the Conditions has been fulfilled or waived.

(h) Warranties given by the Vendor

The Vendor has warranted, among other things, to the Purchaser the following:

- (i) the Vendor is the sole beneficial owner of the Target Equities;
- (ii) the Target Equities are free from any mortgage, charge or any similar encumbrance;
- (iii) the Toll Collection Right is true and legal and other than the charge made in favour of the creditor bank mentioned in section 2(g)(iii) of this announcement, the Toll Collection Right is not subject to any charge;
- (iv) there has been no material adverse effect on the Target Company; and
- (v) the Vendor shall compensate all the losses suffered by the Purchaser if:
 - (A) the interest of the Purchaser in the Target Equities (or any part thereof) is prejudiced as a result of third party's claims arising from causes on the Vendor's part or causes on the Target Company's part prior to the Completion Date; or
 - (B) the Toll Collection Right has been cancelled, deprived, terminated permanently or temporarily (other than temporary suspension, reduction or exemption of toll pursuant to the PRC laws and regulations or the PRC national policies) due to causes on the Vendor's part or causes on the Target Company's part prior to the Completion Date.

(i) The Deductible Amounts which may be deducted from the Total Consideration if the Vendor breaches its warranties or under other circumstances

- (i) Deductible Amounts mean the amounts representing the following items:
 - (A) the debts or other payables of the Target Company which existed on or before the Accounts Date and which have not been disclosed on the Accounts Date;
 - (B) the extent that the assets of the Target Company as at the Completion Date are inadequate, damaged or the value of which is otherwise lost (fair wear and tear and ordinary depreciation excepted) as compared to the same as at the Accounts Date;

- (C) the decreases in the assets of the Target Company or increases in the debts or liabilities of the Target Company as a result of the expenses incurred or transactions entered into by the Target Company between the Accounts Date and the Completion Date and which are not incurred in the ordinary course of business of the Target Company, regardless of whether disclosure of the same has been made to the Purchaser; and
 - (D) any other amounts which the Purchaser is entitled to deduct from the Total Consideration pursuant to the SPA, such as the compensation which the Purchaser is entitled to as a result of the Vendor's breach of its warranties or Deductible Amounts found in the Completion audit (i.e. the audit on the Target Company as at the Completion Date, the accounting firm of which shall be jointly appointed by the Parties within 15 working days after the Completion Date and the report of which shall be issued within 40 working days after the accounting firm's acceptance of the appointment).
- (ii) Depending on, among other things, whether the Total Consideration has already been paid, the Purchaser may deduct the Deductible Amounts from the Total Consideration as illustrated below:
- (A) (if the Total Consideration has not yet been paid) the Purchaser may deduct the Deductible Amounts and pay the balance (if any) to the Vendor;
 - (B) (if the Total Consideration is not enough to set-off the Deductible Amounts and the amounts that the Vendor shall compensate the Purchaser) the Vendor shall pay the shortfall to the Purchaser; or
 - (C) (if the Total Consideration has already been fully paid to the Vendor) the Vendor must repay such amounts equivalent to the Deductible Amounts and the amounts that the Vendor shall compensate the Purchaser.

(j) Completion

Subject to the fulfillment (or waiver, where applicable) of the Conditions, the Parties agree to submit relevant legal documents to the company registration authority for registration of the transfer of the Target Equities on the Submission Day and the Completion will take place on the date on which the Purchaser is registered as the shareholder of the Target Equities by the relevant company registration authority.

Upon the occurrence of the Completion, the Company will own 100% of the equity interests in the Target Company through the Purchaser. Accordingly, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

3. INFORMATION ON THE TARGET COMPANY

3.1 Establishment and principal business

The Target Company was established in the PRC on 27 November 2020 whose principal business is holding the Toll Collection Right and operating the Target Expressway. The Target Company acquired the Toll Collection Right in the Judicial Auction at the Judicial Auction Price of RMB2,483,390,000, of which RMB1,489,000,000 was financed by bank loan, RMB990,000,000 was paid by the Target Company's paid-up capital and RMB4,390,000 was financed by shareholders' loan to the Target Company. Please refer to section 4 below for the information on the Target Expressway.

3.2 Financial information

Set out below is the financial information on the Target Company prepared in accordance with the PRC GAAP in relation to the periods specified below:

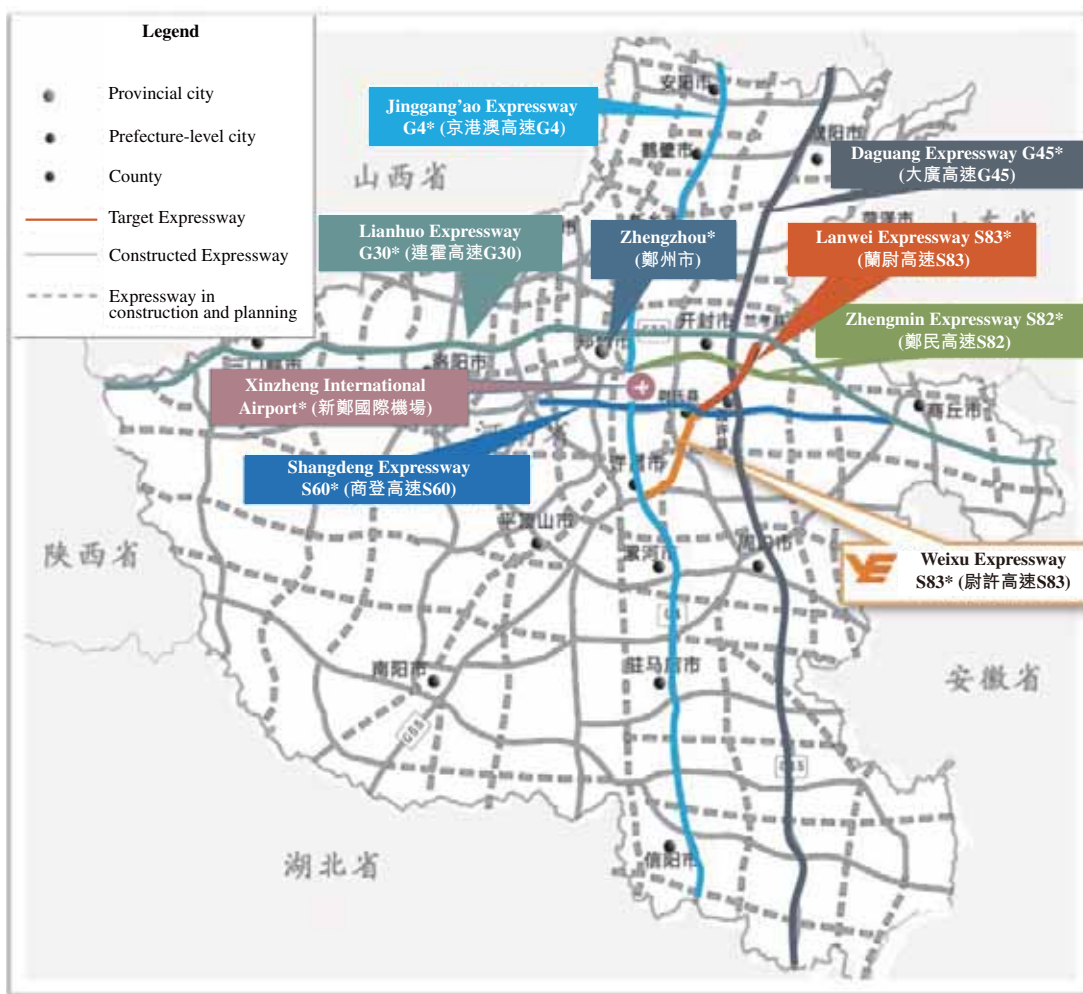
	For the period commenced from the date of the establishment of the Target Company up to 31 December 2020 (audited) RMB('000)	For the year ended 31 December 2021 (audited) RMB('000)	For the seven months ended 31 July 2021 (unaudited) RMB('000)	For the seven months ended 31 July 2022 (unaudited) RMB('000)
Net profits (before taxation)	(1,261)	36,011	23,765	34,310
Net profits (after taxation)	(1,261)	27,323	18,138	25,572
Revenue (<i>Note</i>)	0	309,034	179,117	197,940
	As at 31 December 2020 (audited) RMB('000)	As at 31 December 2021 (audited) RMB('000)	As at 31 July 2021 (unaudited) RMB('000)	As at 31 July 2022 (unaudited) RMB('000)
Total equity	988,739	993,929	1,006,878	1,010,237
Total assets	2,533,077	2,530,446	2,500,658	2,457,124

Note: as disclosed in section 3.1 of this announcement, the Target Company acquired the Toll Collection Right in the Judicial Auction. Under the applicable PRC laws, the Target Company was only entitled to the revenue derived from the Target Expressway from 26 December 2020, being the first day immediately following the day on which the Execution Order was served on the Target Company. However, the revenue derived from the Target Expressway from 26 December 2020 up to 31 December 2020 in the amount of RMB5,283,646.84 (before taxation) had not been recognised as the revenue of the Target Company under the PRC GAAP until 2021.

4. INFORMATION ON THE TARGET EXPRESSWAY

4.1 Location

The Target Expressway is an important component of Lannan Expressway* (蘭南高速), one of the 16 expressways running from north to south vertically under the expressway network of Henan. The Target Expressway connects the section from Wanglou* (王樓) to Lankao* (蘭考) of the Rilan Expressway* (日蘭高速) in the north, connecting Zhengmin Expressway* (鄭民高速), Daguang Expressway* (大廣高速) and Shangdeng Expressway* (商登高速), and connects the Weixu Expressway* (尉許高速) in the south. It is an important part of the expressway network planned by Henan and it represents a highway from the hinterland of Zhongyuan* (中原) to the coastal areas of Shandong Province. For reference purposes, a map showing the location of the Target Expressway is depicted below:



Information regarding, among other things, the toll mileage, design speed, number of toll collection stations and the toll collection right period of the Target Expressway is set out in section 4.2 of this announcement.

4.2 Toll mileage and other information

The toll mileage and other information on the Target Expressway are set out below:

Toll mileage	:	61.03 km
Design speed	:	120 km per hour
Number of lanes	:	Dual two lanes
Number of toll collection stations	:	Three
Completion examination and acceptance	:	Completed
Expiry date of the toll collection right period	:	1 July 2034

4.3 Toll level

The toll level of the Target Expressway as at the Announcement Date is primarily based on classification of vehicles by reference to (i) the number of seats (in the case of passenger vehicles) and (ii) number of axles and, where applicable, length of the vehicles and total maximum permitted loading weight (in the case of trucks). Details of the toll rates of the Target Expressway as at the Announcement Date are disclosed below:

A. *Table on toll rates based on classification of vehicles*

Vehicle class		Classification Standard	Toll Rate (RMB/per vehicle.km)
Passenger vehicles	1	≤ 9 seats	0.45
	2	10 to 19 seats	0.65
	3	≤ 39 seats	0.85
	4	≥ 40 seats	1
Trucks (<i>Note</i>)	1	Number of axles: two Length of truck: below 6,000 mm Total maximum permitted loading weight: less than 4,500 kg	0.50
	2	Number of axles: two Length of truck: not less than 6,000 mm Total maximum permitted loading weight: not less than 4,500 kg	1.50
	3	Number of axles: three	1.90
	4	Number of axles: four	2.20
	5	Number of axles: five	2.40
	6	Number of axles: six	2.60

Note: Length of truck, and the total permitted loading weight are not specified in respect of trucks of classes 3 to 6.

B. *Table on toll rates under the policy on different and favourable toll rates for trucks*

The section for standard toll rate for trucks of class 1		Vehicles of class 2	Vehicles of class 3	Vehicles of class 4	Vehicles of class 5	Vehicles of class 6
Road Standard	RMB0.50 per vehicle.km	62.67%	74.21%	83.64%	82.08%	93.08%

Notes:

1. The toll rates under the policy on different and favourable toll rates for trucks set out in the above table applies to every section of the Target Expressway.
2. The vehicles as classified and set out in the above table refer to trucks of class 2, 3, 4, 5 and 6, respectively set out in the “Table on toll rates based on classification of vehicles”. There is no favourable rate for trucks of class 1.
3. The percentages set out in the above table are the percentages of the standard toll rates for those classes of trucks set out in the “Table on toll rates based on classification of vehicles” under the policy on different and favourable toll rates.

C. *Favourable toll rates policy for vehicles which make toll payment without stopping pursuant to the “Non-Stop Electronic Toll Payment of the Joint Networks of the Expressways of Henan Province*” (河南省高速公路聯網電子不停車收費繳費車輛收費標準優惠政策)*

A favourable rate at a discount of 5% is offered in Henan for those vehicles which make toll payment without stopping pursuant to the Non-Stop Electronic Toll Payment of the Joint Networks of the Expressways of Henan.

D. *The decision of the regular meeting of the State Council on the policy to reduce 10% of the toll rates for trucks using toll highways in the fourth quarter of 2022*

On 21 September 2022, it was resolved at the regular meeting of the State Council that toll rates for trucks using toll highways nationwide be reduced by 10% in the fourth quarter of 2022. The Traffic Study Report has already taken into account the impact of the said reduction of toll rates.

5. MARKET VALUE OF THE TARGET EQUITIES AS APPRAISED BY THE VALUER

5.1 Principal assumptions

For the purpose of complying with rule 14.62 of the Listing Rules, the principal assumptions on which the Profit Forecast is based are set out below:

(a) *Specific assumptions*

- (i) The future financial performance of the Target Company will be in line with the traffic and maintenance cost projections made by Jie Cheng with the assistance of the management of the Company at the required rate of return.
- (ii) The toll rate and charging mechanism will remain unchanged over the remaining toll collection period for the Target Expressway as forecasted by Jie Cheng.
- (iii) The financial and operational information provided and confirmed by the Company are accurate. The Target Company will have sufficient financial support as required to remain operating as a going concern.
- (iv) The Target Company will repay its bank loans at the time, amount and interest rate agreed in the loan contract provided by the Company.
- (v) The capital expenditure and maintenance cost forecast are sufficient for maintaining the Target Expressway at satisfactory conditions for the forecasted traffic and the regulatory requirement, there are no hidden or unexpected conditions associated with the assets or liabilities of the Target Company that might adversely affect the reported value.
- (vi) As the equity of the Target Company is not publicly listed and not readily marketable (i.e. illiquid) as at the Valuation Date, Savills has added a 1.0% premium to the discount rate to reflect the applicable Discount for Lack of Marketability (“**DLOM**”) to the equity value of the Target Company as at the Valuation Date with reference to the circumstances of the Target Company, market factors and the DLOM adopted in other acquisitions of toll road companies in China.
- (vii) Since the stake involving the Target Company is controlling stake, discount for lack of control is not necessary.

(b) General assumptions

- (i) There will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation.
- (ii) The long term inflation rate, interest rate and currency exchange rate will not differ materially from those presently prevailing.
- (iii) The Target Company will retain sufficient management and technical personnel to maintain its ongoing operations.
- (iv) There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business.
- (v) The Target Company's businesses are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations have been and will be complied with.
- (vi) The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target Company's default against its outstanding commitment or obligations.
- (vii) Any potential bad debt of the Target Company will not materially or significantly affect the value of the Target Company.

5.2 Traffic and revenue forecast projection

Table A: summary of the Traffic Forecast Projections on Annual Average Daily Traffic basis

Year	Optimistic case (Vehicle/day)	Conservative case (Vehicle/day)
2022	14,598	13,754
2023	16,724	15,459
2024	17,837	16,335
2025	18,987	17,228
2026	19,612	17,466
2027	20,799	18,358
2028	22,017	19,262
2029	23,268	20,179
2030	24,550	21,108
2031	25,861	22,047
2032	27,198	22,993
2033	28,559	23,945
2034	29,940	24,899

Table B: summary of the Traffic Forecast Projections in Annual Revenue (RMB in million)

Year	Optimistic case	Conservative case
2022	345	326
2023	356	335
2024	377	352
2025	397	368
2026	404	367
2027	424	383
2028	446	400
2029	466	415
2030	488	431
2031	510	447
2032	533	464
2033	554	479
2034	288	247

Note: the forecast set out in Tables A and B is made on the basis that there will be 365 days on which toll may be collected during 2022 to 2033 (366 days in the leap years during that period), there will be 182 days in 2034 (being the year in which the toll collection right period of the Target Expressway will be expired) on which toll may be collected and the toll for trucks for the fourth quarter of 2022 has been reduced by 10%.

5.3 Reports from the Board and the auditors of the Company

The Board has issued a report confirming that the Directors have made the Profit Forecast after due and careful enquiry. Please refer to Appendix I to this announcement for the said report of the Board.

Ernst & Young, the auditors of the Company, had reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows upon which the valuation prepared by Savills was based. Please refer to Appendix II to this announcement for the said report from Ernst & Young for the purpose of rule 14.62 of the Listing Rules.

6. INFORMATION ON THE PARTIES

6.1 The Group and the Purchaser

The Group is principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other high growth provinces in the PRC.

The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

6.2 The Vendor

The Vendor is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People's Government. The scope of business of the Vendor includes, among other things, import and export of technologies and goods, investment with its own funds, enterprise management services and enterprise management consultancy services. The Vendor is the controlling shareholder of the Company holding approximately 44.20% of the issued share capital of the Company as at the Announcement Date and therefore is a connected person of the Company.

The Vendor is owned by the People's Government of Guangzhou* (廣州市人民政府) as to approximately 90%.

7. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Expressway is located in the core development region of Zhongyuan* (中原) city cluster, and is an important component of Lannan Expressway* (蘭南高速) in Henan. Its detailed location is disclosed in section 4.1 of this announcement. Thanks to its excellent location, the Target Expressway will continue to benefit from the regional development strategic plans such as the “Rise of Central China” (中部崛起) and constructions of Zhongyuan city cluster and Zhengzhou Metropolitan Area* (鄭州大都市區).

The Target Expressway has been in operation for nearly 17 years since it had been opened for traffic in 2005. Both the expressway networks connecting to the Target Expressway and expressway networks near the Target Expressway are very mature and stable. The Target Company recorded profits in the first year (2021) after its acquisition of the Toll Collection Right in the Judicial Auction in December 2020. Further, the revenue of the Target Company for the seven months ended 31 July 2022 increased by approximately 10.51% as compared to the same in the corresponding period in 2021, and its net profits (before taxation) even increased substantially by nearly 44.37% (after excluding the revenue of RMB5,283,646.84 (before taxation) originally derived in 2020 but which, due to the PRC GAAP, had not been recognised until 2021 as disclosed in the note to section 3.2 of this announcement, the growth rates mentioned in this paragraph will be approximately 13.78% and 85.65%, respectively).

The Target Company had a revenue of approximately RMB309,033,823.91 for year 2021. The Group’s source of income will be widened after completion of the Acquisition. Further, since the Target Company recorded profits for both the year ended 31 December 2021 and the seven months ended 31 July 2022, the Company believes that the Target Company can bring profits to the Group starting from 2023. The Company also believes that the Target Company will continue to bring impetus to the growth of the Group’s toll income and profits in the future.

Upon completion of the Acquisition, the toll mileage of the Group’s controlled expressways will increase from 495.2 km to 556.23 km, representing an increment of approximately 12.32%. To sum up, the Group’s revenue, profit and toll mileage will be enhanced after completion of the Acquisition, which will help to weaken the impact of the spin-off of Wuhan-Xiaogan Expressway* (漢孝高速公路) from the Group for listing on the Shenzhen Stock Exchange in December 2021. The Acquisition will also facilitate the Group to optimize its regional layout of expressway assets by increasing revenue to be contributed by provinces in Central China while decreasing the proportion of revenue to be contributed by projects in Hubei. The resulting fall in concentration of regions will help the Group to deal with, among other things, the uncertain factors (such as the epidemic lockdown and restriction measures) and weaken the effect of regional risks on the Group’s results.

As disclosed in section 2(d) of this announcement, the Total Consideration is intended to be financed by the internal resources of the Group (approximately 40%, being approximately RMB439,200,000) and bank loan for acquisition (approximately 60%, being approximately RMB658,800,000). As at the Announcement Date, the Group has not entered into any legally binding agreement in relation to the said bank loan for acquisition. After taking into account factors such as the said bank loan for acquisition and the financial position of the Target Company, it is expected that the gearing ratio of the Group after completion of the Acquisition will only increase slightly from 48.40% as at 30 June 2022 to approximately 52.50%. Further, since the Target Company has already recorded profits, it is expected that the Acquisition can increase the earning per Share without affecting the stability of the financial aspect of the Group.

From the perspective of management, the Target Expressway is connected to Weixu Expressway* (尉許高速) owned by the Group and therefore unified operation and management can be achieved and a districts management model can be formed to provide economies of scale and be conducive in the enhancement of management efficiency.

Taking into account the reasons and benefits described above, the Board considers that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, provided that the view of the Independent Directors is subject to the advice of the IFA and the opinion of the Independent Board Committee that will be set forth in the Circular.

8. IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

8.1 Discloseable and connected transaction

As the highest applicable percentage ratio in respect of the Acquisition exceeded 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but is not required to be approved by the Shareholders.

However, as the Vendor is a connected person of the Company as disclosed in section 6.2 above, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest percentage ratio (other than the profits ratio) in respect of the Acquisition is more than 5%, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Acquisition.

8.2 SGM and Circular

As additional time is required to prepare the information to be included in the Circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) the Valuation Report; and (v) summary of the Traffic Study Report, the Circular is expected to be dispatched to the Shareholders on or before 30 November 2022.

8.3 Shareholders required to abstain from voting at the SGM

By virtue of the Vendor being materially interested in the SPA, it and its associates will be required to abstain from voting on the resolution to be proposed at the SGM to approve the Acquisition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder would be required to abstain from voting on the shareholders' resolution to approve the Acquisition except for the Vendor and its associates.

8.4 Formation of the Independent Board Committee

The Independent Board Committee, comprising only of all the Independent Directors, has been formed and will, after taking into account the advice of the IFA, provide its advice to the Independent Shareholders on the matters referred to in rule 14A.40 of the Listing Rules, including but not limited to whether the terms of the Acquisition are fair and reasonable and how to vote on the resolution in relation to the Acquisition and the transactions contemplated thereunder. The advice of the Independent Board Committee to the Independent Shareholders will be included in the Circular.

8.5 Appointment of the independent financial adviser

In accordance with the Listing Rules, Somerley has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders on the matters referred to in rules 14A.45(1) to (4) of the Listing Rules, including but not limited to whether the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable and whether the Independent Shareholders should vote in favour of the resolution in relation to the Acquisition and the transactions contemplated thereunder. The advice of the IFA to the Independent Board Committee and the Independent Shareholders will be included in the Circular.

Somerley is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice contained in this announcement:

Name	Qualification
Ernst & Young	Certified Public Accountants
Jie Cheng	Independent professional traffic consultant
Savills	Independent professional business valuer

As at the Announcement Date, none of the above experts has any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement, with the inclusion herein of its letter, report, opinion and/or the references to its name in the form and context in which they appear.

The Acquisition is subject to certain conditions being satisfied (or waived, if applicable), and therefore completion of the Acquisition may or may not occur. Any estimates, projections, targets, forecasts, timelines and other forward-looking statements made or proposed by the Company or the Directors in this announcement are based on its or their current expectations and assumptions. These statements are subject to uncertainties and are not guarantees of future performance or development. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

10. DEFINITIONS

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

“Accounts Date”	31 May 2022
“Acquisition”	the acquisition of the Target Equities
“Announcement Date”	the date of this announcement, being 17 October 2022
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company in relation to the SPA to be dispatched to the Shareholders

“Company”	Yuexiu Transport Infrastructure Limited, an exempted company incorporated in Bermuda
“Completion”	completion of the sale and purchase of the Target Equities in accordance with the SPA
“Completion Date”	the date on which the Completion occurs
“Conditions”	the conditions precedent for the Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deductible Amounts”	as defined in section 2(i)(i) of this announcement
“Director”	a director of the Company
“Effective Date”	the date on which the Conditions are fulfilled (or waived, where applicable)
“Execution Order”	the execution order made by the Kaifeng Intermediate Court on 25 December 2020 under which the Kaifeng Intermediate Court ruled that the Toll Collection Right shall be owned by the Target Company from the date on which such order was served on the Target Company
“Group”	the Company and its subsidiaries
“Henan”	Henan Province (河南省) of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Somerley, the independent financial adviser appointed by the Company in accordance with the Listing Rules for the purposes of advising and making recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder

“Independent Board Committee”	the independent board committee of the Company established in accordance with the Listing Rules to advise and to make recommendations to the Independent Shareholders on the Acquisition and the transactions contemplated thereunder
“Independent Director”	an independent non-executive Director
“Independent Shareholders”	Shareholders other than those who (i) have a material interest in the Acquisition and therefore are, together with their associates, required to abstain from voting on the resolution to approve the Acquisition under the Listing Rules; or (ii) are otherwise required to abstain from voting on (or voting in favour of) the resolution to approve the Acquisition under other applicable laws, rules or regulations
“Jie Cheng”	Jie Cheng Consultants Limited, the traffic consultant of the Group in relation to the Acquisition
“Judicial Auction”	the judicial auction of the Toll Collection Right held on 18 and 19 December 2020 which was administered by an open auction platform authorised by the Kaifeng Intermediate Court
“Judicial Auction Price”	the price of RMB2,483,390,000 paid by the Target Company to acquire the Toll Collection Right in the Judicial Auction
“Kaifeng”	Kaifeng City (開封市) of Henan
“Kaifeng Intermediate Court”	the Intermediate People’s Court of Kaifeng* (開封市中級人民法院)
“km”	kilometre
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Party”	a party to the SPA
“percentage ratios”	has the meaning ascribed to it under rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles and practices of the PRC

“Profit Forecast”	as defined in section 2(e) of this announcement
“Purchaser”	Yuexiu (China) Transport Infrastructure Investment Company Limited* (越秀(中國)交通基建投資有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“Savills”	Savills Valuation and Professional Services Limited, the independent professional business valuer appointed by the Group in relation to the Acquisition
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Acquisition (including any adjournment thereof)
“Shareholder”	a holder of the Shares
“Shares”	ordinary shares of nominal value of HK\$0.10 each in the capital of the Company
“Somerley”	Somerley Capital Limited
“SPA”	the conditional sale and purchase agreement in relation to the transfer of the Target Equities entered into between the Vendor and the Purchaser on 17 October 2022
“Submission Day”	a day which falls within five working days after the fulfillment or waiver (where applicable) of the Conditions disclosed in sections 2(g)(i) and 2(g)(iii) of this announcement on which the Parties shall submit relevant legal documents to the company registration authority for registration of the transfer of the Target Equities, provided that the Condition disclosed in section 2(g)(ii) of this announcement shall have remained fulfilled or shall have been waived before submission of the aforesaid legal documents
“Target Company”	Henan Yuexiu Lanwei Expressway Company Limited* (河南越秀蘭尉高速公路有限公司)
“Target Equities”	100% of the equity interests in the Target Company

“Target Expressway”	Lanwei Expressway (蘭尉高速公路), the expressway operated by the Target Company as described in more details in section 4 of this announcement
“Toll Collection Right”	the toll collection right over the Target Expressway
“Total Consideration”	as defined in section 2(d) of this announcement
“Traffic Study Report”	the traffic consultancy and evaluation report in respect of the Target Expressway prepared by Jie Cheng and issued in October 2022
“Valuation Date”	31 July 2022
“Valuation Report”	the valuation report dated 17 October 2022 prepared by Savills in relation to the valuation of the Target Equities as at the Valuation Date
“Vendor”	Guangzhou Yuexiu Holdings Limited* (廣州越秀集團股份有限公司)

By order of the Board
Yuexiu Transport Infrastructure Limited
LI Feng
Chairman

Hong Kong, 17 October 2022

As at the Announcement Date, the Board comprises:

Executive Directors: LI Feng (Chairman), HE Baiqing, CHEN Jing and CAI Minghua

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

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*

17 October 2022

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

Discloseable and connected transaction: acquisition of Henan Yuexiu Lanwei Expressway Company Limited* (河南越秀蘭尉高速公路有限公司) (the “Target Company”)

We refer to the valuation report dated 17 October 2022 issued by Savills Valuation and Professional Services Limited (“**Valuer**”) in relation to the valuation (“**Valuation**”) of 100% of the equity interest of the Target Company. The Valuation, which is prepared based on discounted cash flow method, is regarded as a profit forecast under rule 14.61 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible for. We have also considered the report issued by our auditors (namely Ernst & Young) pursuant to rule 14.62(2) of the Listing Rules.

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

Yours faithfully,
For and on behalf of the board of directors of
Yuexiu Transport Infrastructure Limited
LI Feng
Chairman

APPENDIX II**REPORT FROM REPORTING ACCOUNTANTS
ON THE DISCOUNTED CASH FLOW FORECAST
IN CONNECTION WITH THE VALUATION OF
THE MARKET VALUE OF THE 100% EQUITY INTEREST
IN HENAN YUEXIU LANWEI EXPRESSWAY
COMPANY LIMITED**

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.

To the Directors of Yuexiu Transport Infrastructure Limited

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “Forecast”) on which the valuation dated 17 October 2022 prepared by Savills Valuation and Professional Services Limited in respect of the market value of the 100% equity interest in Henan Yuexiu Lanwei Expressway Company Limited (the “Target”) as at 31 July 2022 is based. The valuation is set out in the announcement of Yuexiu Transport Infrastructure Limited (the “Company”) dated 17 October 2022 (the “Announcement”) in connection with the acquisition of the Target. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ responsibilities

The directors of the Company (the “Directors”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “Market Value of the Target Equities as Appraised by the Valuer” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young
Certified Public Accountants
Hong Kong

17 October 2022