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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)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO BANK DEPOSITS**

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Reference is made to the 2020 Announcement and the 2020 Circular regarding the renewal of continuing connected transactions in relation to the Bank Deposits.

On 5 May 2023, the Company entered into the 2024 Bank Deposits Agreement with CHB for a term of three years for the purpose of, among others, renewing the term of the 2021 Bank Deposits Agreement.

#### **LISTING RULES IMPLICATIONS**

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Bank Deposits maintained by the Group with the CHB Group therefore constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2024 Bank Deposits Agreement exceeds 5%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **GENERAL**

A circular containing, among other things: (i) further information on the Transactions; (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the Special General Meeting is expected to be despatched to the Shareholders on or around 24 May 2023.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 23 November 2020 (the “**2020 Announcement**”) and the circular of the Company dated 4 December 2020 (the “**2020 Circular**”) regarding the renewal of continuing connected transactions in relation to the Bank Deposits.

## **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO BANK DEPOSITS**

### ***Background***

As disclosed in the 2020 Announcement and the 2020 Circular, the Company entered into the 2021 Bank Deposits Agreement with CHB on 23 November 2020, the term of which will expire on 31 December 2023.

On 5 May 2023, the Company entered into the 2024 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2021 Bank Deposits Agreement.

Pursuant to the 2024 Bank Deposits Agreement, the Group may, in its ordinary and usual course of business, place and maintain Bank Deposits with the CHB Group on normal commercial terms from time to time during the term of the 2024 Bank Deposits Agreement, and the placing and maintenance of any such Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers of similar size to the Group from time to time.

### ***Duration***

Subject to the approval by the Independent Shareholders at the Special General Meeting, the term of the 2024 Bank Deposits Agreement shall commence on 1 January 2024 and shall continue up to and including 31 December 2026. Subject to compliance with the Listing Rules, the 2024 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

### ***Conditions Precedent***

The 2024 Bank Deposits Agreement is conditional upon the approval by the Independent Shareholders of the 2024 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps) at the Special General Meeting. If the condition is not fulfilled on or before 31 December 2023 (or such later date as agreed between the Company and CHB), the 2024 Bank Deposits Agreement shall terminate with immediate effect without liability on either party.

## ***Pricing Policy***

The 2024 Bank Deposits Agreement provides that the interest rates and other terms applicable to any Bank Deposits shall from time to time be determined based on (1) in the case of deposits in Hong Kong, interest rates and other terms offered by the CHB Group and at least two independent banks in Hong Kong to the Group; and (2) in the case of deposits in Mainland China, interest rates for deposits in Mainland China set with reference to the standard interest rates published by the PBOC and interest rates and other terms offered by the CHB Group and at least two independent banks in Mainland China to the Group.

In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the CHB Group with those of at least two independent banks. The Group may also take into account factors including, among others, quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks.

Standard Documentation, in such form as may be acceptable to the CHB Group and the Group, may be executed in order to facilitate the Transactions.

## ***Historical Annual Caps and Amounts***

The existing Annual Caps in respect of the Bank Deposits under the 2021 Bank Deposits Agreement for each of the years ended 31 December 2021 and 2022 and the year ending 31 December 2023 are RMB1,500,000,000.

The highest daily outstanding balance of the Bank Deposits actually placed by the Group with the CHB Group on any given day during each of the years ended 31 December 2021 and 31 December 2022 and the three months ended 31 March 2023 were as follows:

	<i>For the year ended 31 December 2021 (approximately)</i>	<i>For the year ended 31 December 2022 (approximately)</i>	<i>For the three months ended 31 March 2023 (approximately)</i>
<i>Highest daily outstanding balance of the Bank Deposits on any given day during the year/period</i>	RMB1,457,554,000	RMB1,382,905,000	RMB415,862,000

## *New Annual Caps and basis of determining the New Annual Caps*

When determining the level of cash to be deposited with banks, the Company takes into account a number of factors, including:

- (i) the expected level of net fund outflow of the relevant financial year;
- (ii) the forecasts on operating income and expenditure of the Group, as well as investment needs of the Group (including, if any, upcoming acquisitions and projects); and
- (iii) the repayment of principal and interests of bank and other borrowings, notes payable and corporate bonds, distribution and/or receipt of dividends, as well as the daily expenses, receivables/payables and other income and expenditure of the Group.

The Group recorded revenue of approximately RMB2.9 billion, RMB3.7 billion and RMB3.3 billion for the years ended 31 December 2020 (“**FY2020**”), 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”), respectively. The increase in revenue of approximately 26.8% in FY2021 compared to FY2020 was mainly attributable to the low overall base in FY2020 resulting from temporary toll exemption measures (including (i) free toll of small passenger vehicles during the Spring Festival holiday, which was extended for 9 days and (ii) exempted tolls collection for 79 days nationwide from 17 February 2020 to 5 May 2020). Most projects in the central province also saw an increase in toll revenue and traffic volume compared to FY2020. For FY2022, there was a decrease in revenue of approximately 11.2% compared to FY2021 due to the impact of the COVID -19 control measures, the policy of a 10% reduction in truck tolls on toll roads for the fourth quarter, and overall economic conditions that affected the Group’s overall operating performance. In addition, the financial results of the Hubei Han-Xiao Expressway is no longer consolidated by the Group as a subsidiary after the completion of its spin-off in December 2021. The financial results of the newly acquired Henan Lanwei Expressway have been consolidated into the Group since 19 November 2022, and are expected to recover the decrease in revenue caused by the spin-off of Hubei Han-Xiao Expressway in 2023.

The Company did not exceed the existing Annual Caps under the 2021 Bank Deposits Agreement during each of the years ended 31 December 2021 and 2022 and the three months ended 31 March 2023 and, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Company does not anticipate requiring to revise the existing Annual Caps during the year ending 31 December 2023. Therefore, having taken into account its historical financial performance, its current scale of business and operation in comparison to that during the years ended 31 December 2021 and 2022, its total assets, the level of cash held or maintained by it from time to time and its future investment plans and its relatively stable overall deposits needs, the Company has decided to maintain the Annual Caps at RMB1,500,000,000 for each of the years ending 31 December 2024, 2025 and 2026 (the “**New Annual Caps**”), respectively, and believes that maintaining the same Annual Caps for the years ending 31 December 2024, 2025 and 2026 would be reasonable.

In addition, maintaining the New Annual Caps at a reasonable level would also allow the Group to benefit more from a healthy competition amongst the CHB Group and the other banks. The Group would not be in a position to invite the CHB Group to provide quotations and compete with the other banks for sizable deposits if the relevant New Annual Cap does not allow enough room for the Group to do so.

Having considered the above, the Company proposes to keep the New Annual Caps at RMB1,500,000,000 for each of the years ending 31 December 2024, 2025 and 2026, respectively.

## **INTERNAL CONTROL PROCEDURES**

The Group has established internal control procedures (“**Internal Control Procedures**”) as follows:

- (1) Bank Deposits will only be placed with the CHB Group by the Group on a non-exclusive basis. In order to ensure that the interest rates and other terms of the Bank Deposits are on normal commercial terms and no less favourable to the Group, each time before placing any Bank Deposits, the Group will compare the quotations offered by the CHB Group with those of at least two independent banks. The Group may also take into account factors including, among others, quality of services, safety of deposits, bank reputation and cooperation history, in making decisions to place deposits with any banks;
- (2) CHB Group will provide online platforms to allow the Group to monitor the balances of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits does not exceed the New Annual Caps;
- (3) the Group will prepare a continuing connected transaction report once every six months on Bank Deposits with the CHB Group which will be submitted to the audit committee of the Board for consideration. The report will cover, among other things, the status of compliance with the New Annual Caps and utilization of the New Annual Caps;
- (4) the audit committee of the Board will meet at least twice a year to review the implementation of the above measures for the transactions contemplated under the 2024 Bank Deposits Agreement and report to the Board;
- (5) the Company will provide information and supporting documents to its independent non-executive Directors and auditor for them to conduct annual review of the continuing connected transactions of the Group;

- (6) the independent non-executive Directors will provide an annual confirmation as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the 2024 Bank Deposits Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole as required by the Listing Rules; and
- (7) the auditor of the Company will be engaged to report on the continuing connected transactions of the Group disclosed in the annual report in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company will issue a letter to the Board containing their conclusions in relation to, among others, the Transactions for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to their attention that causes them to believe that the Transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the 2024 Bank Deposits Agreement; and (iv) have exceeded the New Annual Caps.

In addition, in order to mitigate any concentration credit risks associated with placing a substantial amount of deposits at any particular bank (including in particular the potential concentration risks arising from placing substantial amount of Bank Deposits with the CHB Group), the Company conducts an evaluation of the level of Bank Deposits placed with the CHB Group at each quarter-end for the purpose of ascertaining the average proportion of cash deposited with the CHB Group, the maximum level of which is targeted to be maintained at a range of 50% to 60% of total cash and cash equivalents of the Group. Based on the results of the quarterly review, the Company will make adjustments and take appropriate actions if required (including, among others, depositing funds into other banks or financial institutions) to maintain the Bank Deposits at the target level going forward and to lower the relevant concentration risk.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group is principally engaged in the construction, investment, operation and management of toll expressways, bridges and ports in Guangdong Province and other high-growth provinces in Mainland China. The Group maintains deposits and other bank balances with financial institutions in Hong Kong and Mainland China from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

CHB, as a reputable and long-established authorized institution supervised by the Hong Kong Monetary Authority in Hong Kong, is able to provide different banking and related financial services in support of the Group's business and treasury activities. Furthermore, CHB Group is also approved and regulated in the PRC by the PBOC and the CBIRC. As disclosed in the annual report of CHB for the year ended 31 December 2022, CHB Group maintains a liquidity maintenance ratio above relevant statutory requirements, and the principal objective of CHB Group's liquidity risk management framework is to maintain a conservative level of liquid funds on a daily basis so that the CHB Group has sufficient cash flows to meet its current obligations when they fall due in the ordinary course of business. Therefore, the Directors believe that the Bank Deposits maintained by the Group with the CHB Group are unlikely to experience any delay in encashment.

The Company believes that it would be in the interest of the Group to enter into the 2024 Bank Deposits Agreement and engage the services of the CHB Group, being the placing of Bank Deposits with the CHB Group in this case, on a non-exclusive basis subject always to the Group's Internal Control Procedures and the applicable annual caps. The Company considers that the New Annual Caps have been reasonably determined taking into account, among others, the scale of the Group's business and operation and its future investment plans, as set out in the above section headed "Continuing Connected Transactions in relation to Bank Deposits — New Annual Caps and basis of determining the New Annual Caps".

The Directors (excluding the Directors who have abstained from voting on the relevant board resolutions of the Company and the independent non-executive Directors whose view will be given after taking into account the advice of the Independent Financial Adviser) are of the view that the 2024 Bank Deposits Agreement have been entered into on normal commercial terms and in the ordinary and usual course of the Group's business, and that the transactions contemplated thereunder (together with the New Annual Caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Bank Deposits maintained by the Group with the CHB Group therefore constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules for the New Annual Caps under the 2024 Bank Deposits Agreement exceeds 5%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Li Feng and Ms. Chen Jing, both of whom are executive Directors, are also serving as directors of CHB, the Company is of the view that Mr. Li Feng and Ms. Chen Jing are regarded as having a material interest in the transactions contemplated under the 2024 Bank Deposits Agreement. Therefore, they have abstained from voting on the relevant board resolutions of the Company.

## **INFORMATION ON THE COMPANY, CHB AND GZYX**

### **The Company**

The Company is incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01052). The Group is principally engaged in the construction, investment, operation and management of toll expressways, bridges and ports in Guangdong Province and other high-growth provinces in Mainland China.

### **CHB**

CHB is incorporated in Hong Kong with limited liability. CHB is an authorized institution supervised by the Hong Kong Monetary Authority under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). The CHB Group is also approved and regulated in the PRC by the PBOC and the CBIRC. The CHB Group is principally engaged in the provision of banking and related financial services. CHB is indirectly wholly-owned by YXE, which is in turn a wholly-owned subsidiary of GZYX.

### **GZYX**

GZYX, the ultimate controlling shareholder of CHB and the Company, is a company established in the PRC with limited liability and is majority owned by the Guangzhou Municipal People's Government of the PRC. GZYX and its subsidiaries (other than the Group) are engaged in various businesses, including (i) real estate and property development business; (ii) commercial banking, asset management, finance leasing, futures, business investment and other financial services; and (iii) livestock breeding, dairy industry, food processing and other businesses.

### **ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee comprising Mr. Fung Ka Pun, Mr. Lau Hon Chuen Ambrose and Mr. Cheung Doi Shu has been established to advise the Independent Shareholders in connection with the 2024 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps). The view of the Independent Board Committee will be set forth in the circular to be despatched to the Shareholders after taking into account the advice of the Independent Financial Adviser.

Maxa Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the 2024 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps).



## **SPECIAL GENERAL MEETING AND CIRCULAR**

The Special General Meeting will be convened and held by the Company to consider and, if thought fit, to approve the 2024 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps).

YXE and its respective associates will abstain from voting at the Special General Meeting in respect of the proposed resolutions to approve the 2024 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps). Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder or any of its associates has a material interest in the 2024 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps), therefore no other Shareholder would be required to abstain from voting on the relevant resolutions to be proposed at the Special General Meeting.

A circular containing, among other things: (i) further information on the Transactions; (ii) a letter of recommendations from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the Special General Meeting is expected to be despatched to the Shareholders on or around 24 May 2023.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“2020 Announcement”	has the meaning ascribed to it under the section headed “Introduction” in this announcement
“2020 Circular”	has the meaning ascribed to it under the section headed “Introduction” in this announcement
“2021 Bank Deposits Agreement”	the master agreement dated 23 November 2020 entered into between the Company and CHB in relation to the Bank Deposits
“2024 Bank Deposits Agreement”	the master agreement dated 5 May 2023 entered into between the Company and CHB in relation to the Bank Deposits
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Annual Caps”	the maximum daily outstanding balance of the Bank Deposits allowed to be placed by the Group with the CHB Group on any given day

“Bank Deposits”	deposits of whatever duration and nature and any other bank balances maintained by the Group (or any member of the Group) with CHB Group from time to time
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CHB”	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability
“CHB Group”	CHB and its subsidiaries
“Company”	Yuexiu Transport Infrastructure Limited, a limited liability company incorporated under the laws of Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01052)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GZYY”	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司), a company established in the PRC with limited liability, which is majority owned by the Guangzhou Municipal People’s Government of the PRC and is the ultimate controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Fung Ka Pun, Mr. Lau Hon Chuen Ambrose and Mr. Cheung Doi Shu, established to advise the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser”	Maxa Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders other than YXE and its respective associate(s)

“Independent Third Party(ies)”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is a third party independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mainland China”	the PRC which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“New Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions in relation to Bank Deposits — New Annual Caps and basis of determining the New Annual Caps” in this announcement
“PBOC”	The People’s Bank of China
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of Mainland China
“Share(s)”	ordinary share(s) of the Company
“Shareholders”	Holders of Shares
“Special General Meeting”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve the 2024 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps)
“Standard Documentation”	any standard documentation, as prescribed by the CHB Group from time to time in compliance with applicable legal and regulatory requirements and in accordance with usual banking practices, applicable to the transactions contemplated under the 2024 Bank Deposits Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Transactions”	the transactions contemplated under the 2024 Bank Deposits Agreement

“YXE” Yue Xiu Enterprises (Holdings) Limited, a limited company incorporated under the laws of Hong Kong and the controlling shareholder of each of the Company and CHB

“%” per cent

\* *For identification purposes only. In the event of inconsistency, the Chinese name shall prevail.*

By Order of the Board  
**Yuexiu Transport Infrastructure Limited**  
**YU Tat Fung**  
*Company Secretary*

Hong Kong, 5 May 2023

*As at the date of this announcement, 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*