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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 2018 Announcement and the 2018 Circular regarding the increase of the annual caps in relation to the Bank Deposits with the CHB Group.

On 23 November 2020, the Company entered into the 2021 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2018 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 2021 Bank Deposits Agreement exceeds 5% but is below 25%, 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 of the Company; (iii) a letter of advice from an independent financial adviser; and (iv) a notice of the Special General Meeting is expected to be despatched to the Shareholders on or before 11 December 2020.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 2 May 2018 (the “**2018 Announcement**”) and the circular of the Company dated 14 May 2018 (the “**2018 Circular**”) regarding the increase of the annual caps in relation to the Bank Deposits with the CHB Group.

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

### *Background*

As disclosed in the 2018 Announcement and the 2018 Circular, the Company entered into the 2018 Bank Deposits Agreement with CHB on 2 May 2018, the term of which will expire on 31 December 2020.

On 23 November 2020, the Company entered into the 2021 Bank Deposits Agreement for a term of three years for the purpose of, among others, renewing the term of the 2018 Bank Deposits Agreement.

Pursuant to the 2021 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 2021 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 2021 Bank Deposits Agreement shall commence on 1 January 2021 and shall continue up to and including 31 December 2023. Subject to compliance with the Listing Rules, the 2021 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

### ***Conditions Precedent***

The 2021 Bank Deposits Agreement is conditional upon the approval by the Independent Shareholders of the 2021 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 2020 (or such later date as agreed between the Company and CHB), the 2021 Bank Deposits Agreement shall terminate with immediate effect without liability on either party.

### ***Pricing Policy***

The 2021 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 other 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 other 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 other 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 Annual Caps in respect of the Bank Deposits under the 2018 Bank Deposits Agreement for the years ended 31 December 2018 and 2019 and the year ending 31 December 2020 are RMB800,000,000, RMB1,200,000,000 and RMB1,500,000,000, respectively.

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 2018 and 31 December 2019 and the period of nine months ended 30 September 2020 were as follows:

	<i>For the year ended 31 December 2018 (approximately)</i>	<i>For the year ended 31 December 2019 (approximately)</i>	<i>For the nine months ended 30 September 2020 (approximately)</i>
<i>Highest daily outstanding balance of the Bank Deposits on any given day during the year/period</i>	RMB781,307,000	RMB1,110,585,000	RMB1,211,843,000

### ***New Annual Caps***

As the scale of the Group's business and operation continues to grow, it is expected that its total assets would increase correspondingly and the level of cash held or maintained by it from time to time may also increase. The total assets of the Group grew from approximately RMB22.74 billion as at 31 December 2018 to approximately RMB36.80 billion as at 31 December 2019 and remained at a similar level of RMB36.17 billion as at 30 June 2020. The Group's cash and cash equivalents as at 31 December 2018, 31 December 2019 and 30 September 2020 amounted to approximately RMB2.39 billion, RMB1.44 billion and RMB1.69 billion respectively. The aforesaid period end figures, however, do not reflect the amount of cash held by the Group on a given day or in a given period of time during the relevant period. In particular, the amount of cash held by the Group would be significantly higher for a certain period of time when the Group conducts large-scale fundraising exercises (such as issuance of bonds) or when it is engaged in a significant acquisition or disposal. By way of illustration, the amount of cash and cash equivalents of the Group as at 30 September 2019 was approximately RMB3.34 billion (as opposed to approximately RMB2.39 billion as at 31 December 2018 and approximately RMB1.44 billion as at 31 December 2019) when it was preparing for the acquisition of the three expressways in Hubei Province in the fourth quarter of 2019.

A higher Annual Cap would 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 Annual Cap does not allow enough room for the Group to do so. Having considered the above, the Company proposes to keep the Annual Caps at RMB1,500,000,000 for the years ending 31 December 2021, 2022 and 2023, respectively (the “**New Annual Caps**”). The Company considers that New Annual Caps are reasonable taking into account the business development of the Group.

## **INTERNAL CONTROL PROCEDURES**

The Group has established 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 other 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) The Group will monitor the highest daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do 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 Group’s audit committee 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 Group’s audit committee will convene meetings to discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits) at least twice a year.
- 5) The auditors of the Group will, in addition to its interim review and year-end audit, issue a letter to the Board 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 the Directors’ 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 2021 Bank Deposits Agreement; and (iv) have exceeded the New Annual Caps. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Company.

The Company is satisfied that it has an adequate system of controls to safeguard the Transactions, and to provide information for the independent non-executive Directors and auditors to properly review the Transactions annually.

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

The Group is principally engaged in investment in, operation and management of toll expressways and bridges 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 in Hong Kong, is able to provide different banking and related services in support of the Group's business and treasury activities. The Company believes that it would be in the interest of the Group to 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 the business development of the Group as set out in the above section headed "Continuing Connected Transactions in relation to Bank Deposits — New Annual Caps".

The Directors (excluding the Directors who have abstained from voting on the relevant board resolutions of the Company) are of the view that the 2021 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, provided that the independent non-executive Directors' view is subject to the advice of Maxa Capital Limited, the independent financial adviser appointed by the Company, and the opinion of the independent board committee will be set forth in the circular to be despatched to the Shareholders.

## **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 2021 Bank Deposits Agreement exceeds 5% but is below 25%, 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, the 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 2021 Bank Deposits Agreement. Therefore, they have abstained from voting on the relevant board resolutions of the Company.

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

### **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 investment in, operation and management of toll expressways and bridges in Guangdong Province and other high-growth provinces in Mainland China.

### **CHB**

CHB is incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01111). CHB and its subsidiaries are principally engaged in the provision of banking and related financial services.

## **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 2021 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps).

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 2021 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 2021 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 2021 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 2021 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 of the Company; (iii) a letter of advice from an independent financial adviser; and (iv) a notice of the Special General Meeting is expected to be despatched to the Shareholders on or before 11 December 2020.



## DEFINITIONS

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

“2018 Announcement”	has the meaning ascribed to it under the section headed “Introduction” in this announcement
“2018 Bank Deposits Agreement”	the master agreement dated 2 May 2018 entered into between the Company and CHB in relation to Bank Deposits
“2018 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 Bank Deposits
“Annual Cap”	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
“CHB”	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01111)
“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
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 of Hong Kong Limited
“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” 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 2021 Bank Deposits Agreement and the transactions contemplated thereunder (including the New Annual Caps)

“Standard Documentation”	any standard documentation, as prescribed by the CHB Group in compliance with applicable legal and regulatory requirements and in accordance with usual banking practices in Hong Kong, applicable to the transactions contemplated under the 2021 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 2021 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 and on behalf of the Board  
**Yuexiu Transport Infrastructure Limited**  
**YU Tat Fung**  
*Company Secretary*

Hong Kong, 23 November 2020

*As at the date of this announcement, the Board comprises:*

*Executive Directors: LI Feng (Chairman), HE Baiqing, CHEN Jing and XIE Yanhui*

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