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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)

Financial advisers to the Company



POSSIBLE DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE REIT ON THE SHENZHEN STOCK EXCHANGE

THE PROPOSED SPIN-OFF

As disclosed in the Announcements, the Proposed Spin-off involves the separate listing of the Project on the SZSE through the establishment of the REIT as a close-ended publicly-listed infrastructure securities investment fund. The REIT will indirectly hold the Project through the ABS Scheme and the Project Company, upon completion of the Proposed Spin-off.

The Board is pleased to announce that on 12 November 2021, the SZSE has issued a no objection letter in respect of the Proposed Listing, and the CSRC has approved the registration of the REIT.

LISTING RULES IMPLICATION

Upon completion of the Proposed Spin-off, the interests of the Company in the Project Company will be effectively reduced from 100% to 30%. The Proposed Spin-off hence constitutes a disposal by the Company of its 70% equity interest in the Project Company. Based on the latest information available to the Company as at this announcement, it is expected that the highest applicable percentage ratio in relation to the Proposed Spin-off calculated pursuant to Rule 14.07 of the Listing Rules will be more than 5% but less than 25%, as such the Proposed Spin-off may constitute a possible discloseable transaction for the Company and therefore may be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will make further announcement(s) in relation to (among others) the final offer price and the net proceeds from the Proposed Spin-off as and when appropriate in accordance with the requirements of the Listing Rules.

Shareholders and potential investors should note that the Proposed Listing is subject to, among other things, the prevailing market conditions. Accordingly, Shareholders and potential investors should be aware that there is no assurance that the Public Offering will take place or as to when it may take place. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

References are made to the announcements of the Company dated (i) 3 May 2020; (ii) 14 October 2021 in relation to the Proposed Spin-off; and (iii) 17 October 2021 in relation to the publication of application materials on the registration and listing of the REIT submitted to the CSRC and the SZSE (collectively referred to as the “**Announcements**”). Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as defined in the Announcements and the section headed “DEFINITIONS” in this announcement.

THE PROPOSED SPIN-OFF

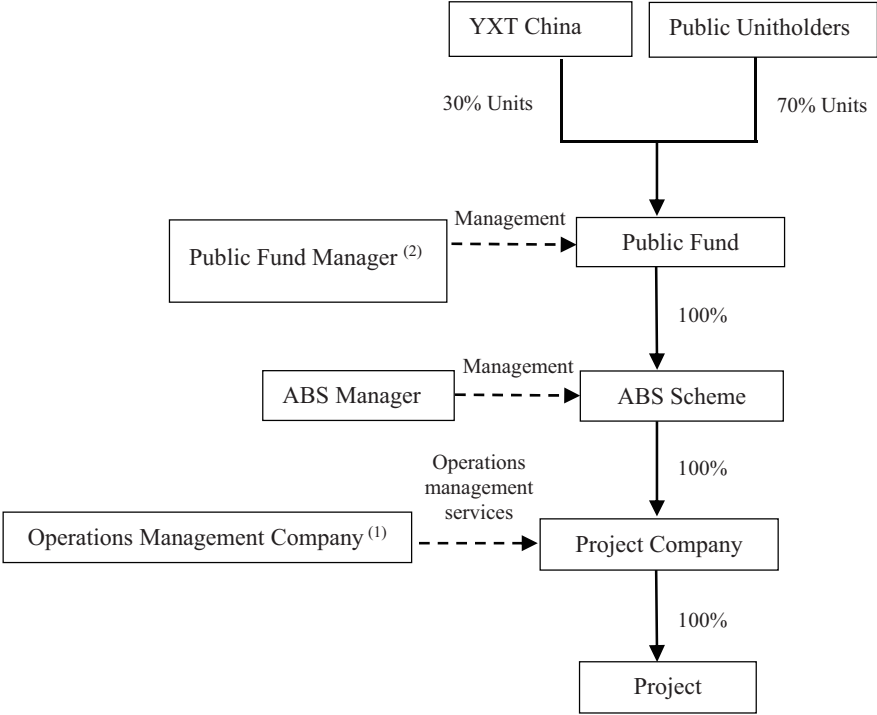
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The Board is pleased to announce that on 12 November 2021, the SZSE has issued a no objection letter in respect of the Proposed Listing, and the CSRC has approved the registration of the REIT.

For the purpose of the Proposed Spin-off, CAMC, as the Public Fund Manager, will set-up the REIT as a close-ended publicly-listed infrastructure securities investment fund. The Company (through YXT China) will subscribe for such number of Units representing 30% of the Units in issue at the time of the completion of the Proposed Listing. For the purpose of the Proposed Listing and as required by the applicable PRC laws and regulations, the ABS Scheme will be set-up by the ABS Manager. Upon completion of the Public Offering, a series of reorganization steps will take place, including: (i) the REIT will apply the proceeds from the Public Offering to subscribe for the entire interest in the ABS Scheme; (ii) the ABS will acquire the entire interest in the SPV (which does not hold any assets at the time of the transfer) from YXT China at a nominal consideration, and will subsequently inject the proceeds from the Public Offering in the form of a combination of a shareholder’s loan and capital into the SPV; (iii) the SPV (which will be wholly-owned by the ABS Scheme by then) will use the abovementioned proceeds to acquire the entire equity interest in the Project Company from YXT China (the “**Project Company Transfer**”); and (iv) the SPV will be merged into the Project Company by way of reverse absorption.

Structure of the REIT

The structure of the REIT upon completion of the Proposed Spin-off is set out below:



Notes:

- (1) The Operations Management Company, which possesses the relevant experience in the expressway industry and operations of expressway assets, will be employed by the Public Fund Manager to provide relevant operations management services to the Project Company.

- (2) The Public Fund Manager, which is required to satisfy the conditions and qualifications stipulated by the CSRC, will be ultimately responsible for the daily operation of the REIT pursuant to relevant laws and regulations and the fund management contracts governing the REIT.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, saved as otherwise disclosed in this announcement, each of the Public Fund Manager, the ABS Manager and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Equity Transfer Agreement

To implement the Project Company Transfer, on 12 November 2021 (after the trading hours), YXT China (as the transferor) entered into the Equity Transfer Agreement with the SPV (as the transferee) pursuant to which YXT China agreed to sell, and the SPV agreed to acquire, the entire equity interest in the Project Company. The consideration of the Equity Transfer Agreement shall be equal to the amount of funds raised through the Public Offering minus the initial fees incurred in relation to the SPV, the Public Fund and the ABS Scheme as well as expenses incurred for the Proposed Spin-off transaction (including but not limited to stamp duty).

The Equity Transfer Agreement will only be effective upon the fulfilment of the following conditions:

- (1) the ABS Scheme having been successfully established;
- (2) the ABS Manager, on behalf of the ABS Scheme, having completed the payment of the consideration for the acquisition of the SPV from YXT China and the payment of the registered capital of the SPV, as well as the injection of further capital into the SPV for the increase in the registered capital in accordance with the relevant equity transfer agreement; and
- (3) the ABS Manager, on behalf of the ABS Scheme, having provided the relevant shareholder's loan to the SPV.

Completion of the Project Company Transfer

Subject to the fulfilment of the following conditions, the SPV shall pay the total consideration for the Project Company Transfer in full to YXT China in cash within 5 working days after the Equity Transfer Agreement becomes effective:

- (1) YXT China having gone through its internal procedures and passed relevant resolutions to approve the Project Company Transfer;

- (2) the Public Fund having been established and having subscribed for all the asset-backed securities under the ABS Scheme and having transferred the subscription monies to the account of the ABS Scheme according to the arrangement of standard terms of the ABS Scheme;
- (3) the ABS Scheme having been successfully established;
- (4) the Equity Transfer Agreement having become effective;
- (5) the change in industrial and commercial registration of the equity interest in the Project Company having been completed;
- (6) the representations and warranties given by the YXT China and the SPV under the Equity Transfer Agreement remaining true, complete and effective; and
- (7) the SPV not having discovered any other actual or expected material facts, events and situations that will prevent the parties from the performance of the Equity Transfer Agreement or the consummation of the transactions under the Equity Transfer Agreement.

Conditions precedent to the Proposed Spin-off

The Proposed Spin-off is conditional upon, among other things, the following conditions:

- i). approval of the CSRC and the issuance of the no objection letter from the SZSE in respect of the Proposed Listing, and approval of the Hong Kong Stock Exchange in respect of the Proposed Spin-off;
- ii). the total portion of interest in the REIT subscribed by investors reaching 100% of the approved registration amount of the REIT;
- iii). the total amount of funds raised from the Public Offering should be at least RMB200 million and there are at least 1,000 investors in the Public Offering;
- iv). YXT China must subscribe for at least 20% interest in the REIT by way of participating in the strategic placing tranche; 20% interest of the REIT held by YXT China will be subject to a lock-up period of five years while the remainder of YXT China's interest in the REIT will be subject to a lock-up period of three years; and
- v). at least 70% of the Public Offering must be sold to offline investors.

On 12 November 2021, the SZSE has issued a no objection letter in respect of the Proposed Listing, and the CSRC has approved the registration of the REIT.

As disclosed in the announcement of the Company dated 14 October 2021, the Company has submitted the PN15 Application to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off.

BASIS OF CONSIDERATION OF THE PROJECT COMPANY TRANSFER

The consideration for the Project Company Transfer will be determined based on the mechanism as set out in the subsection headed “Equity Transfer Agreement” under the section headed “THE PROPOSED SPIN-OFF” of this announcement, i.e. by reference to, among other things, the final offer price of the REIT, and will be ascertained upon completion of the Public Offering. The terms of the Project Company Transfer were determined based on arm’s length negotiations between the Company, the ABS Manager and the Public Fund Manager.

As at the date of this announcement, the offering amount, price range, and as a result, offer price, of the REIT have not been finalized. The offer price will be prudently and reasonably determined by the Public Fund Manager and the financial adviser to the REIT (i.e. CITIC) based on the median and weighted average of valid quotations, taking into account the situation in respect of the receipt of quotations.

The Company will make further announcement(s) after the offer price has been determined.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

Before completion of the Proposed Spin-off, the Project Company is an indirect wholly-owned subsidiary of the Company. The Company (through YXT China) will indirectly hold 30% of the total number of Units in issue at the time of completion of the Proposed Listing. As such, the Project Company will no longer be a subsidiary of the Company and the accounts of the Project Company will cease to be consolidated into the accounts of the Company.

The overall impact on profit or loss that the Company expects to record from the Proposed Spin-off will include the difference between the consideration for the Project Company Transfer, which depends on, among other things, the offer price of the REIT, and the carrying value of the Project Company in the consolidated accounts of the Company, and the relevant transaction costs.

The actual amount of gain or loss as a result of the Proposed Spin-off will be assessed after its completion and will be subject to the review and final audit by the auditors of the Company.

USE OF PROCEEDS

According to the requirements of the regulations governing Infrastructure REITs in the PRC, over 90% of the net proceeds from the Public Offering (being the proceeds received by the REIT after deduction of the amounts to be used for repayment of relevant debts, payment of taxes, and subscription monies payable by the Company for participating in the strategic placing tranche in accordance with relevant rules) must be invested in infrastructure project construction.

Accordingly, the net proceeds from the Proposed Spin-off will be invested in the reconstruction and expansion of mature projects of the Company. Implementation of the reconstruction and expansion on mature projects has far-reaching significance for the Company's sustainable development. On one hand, the remaining toll period of those projects could be greatly extended, and thus the overall life cycle of the Company's asset portfolio could be extended accordingly, which is in line with interests of the Company's long-term development. On the other hand, it will ease the traffic congestion of some saturated sections of the projects and facilitate core toll road assets to further release their growth potentials. As such, the Company considers that the return on investment of the abovementioned reconstruction and expansion plan is promising, while the risk is relatively controllable.

INFORMATION ON THE PARTIES

The Company

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

The Public Fund Manager

The Public Fund Manager is primarily engaged in sales and raising of funds, asset management (including that in respect of specific clients) and other businesses as approved by the CSRC.

The ABS Manager

The ABS Manager is primarily responsible for establishing the ABS Scheme, managing the assets of the ABS Scheme and distributing proceeds to the ABS Scheme investors.

The Operations Management Company

The Operations Management Company is primarily engaged in highway operation services, enterprise management consulting services, road maintenance, capital investment, construction and operation of highways, bridges and tunnels, highway engineering and management of municipal facilities (excluding gas, heat and water supply and drainage networks).

The Project Company

The Project Company, Hubei Han Xiao Highway Construction and Operations Company Limited* (湖北漢孝高速公路建設經營有限公司), is primarily engaged in the construction, operation and management of the Project and its affiliated highway facilities. As at the date of this announcement, it is the sole owner of the Project. The financial information of the Project Company for the two years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 based on its audited financial statements prepared under the PRC GAAP is set out below:

	For the year ended		For the six
	2019	2020	months ended
	RMB'000	RMB'000	30 June 2021
	(audited)	(audited)	RMB'000
			(audited)
Profit before taxation	96,199.4	83,538.9	79,050.2
Profit after taxation	71,986.7	62,616.5	59,266.5

The audited net asset value of the Project Company as at 30 June 2021 was approximately RMB708.6 million.

The Project

The underlying assets of the REIT will be the Project, Wuhan-Xiaogan Expressway* (漢孝高速公路). The Project consists of the main line (a toll length of approximately 33.528 kilometers starting from Taoyuan, Huangpi District, Wuhan, PRC to Yangdian Town, Xiaonan District, Xiaogan City, PRC) and the airport north connection line (a toll length of approximately 4.968 kilometers starting from Ganxia Bay, Huangpi District, Wuhan to at the north gate of Wuhan Tianhe Airport).

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors consider that the Proposed Spin-off will be beneficial for both the Group and the REIT for the following reasons:

- (1) the Proposed Spin-off will allow the Company's high-quality assets to be listed separately in the PRC capital market, which will enhance the market image of the Company;
- (2) the Proposed Spin-off will allow the Company to recoup its upfront capital investment in the Project and facilitate the Company to maintain a reasonable gearing ratio and investment grade credit rating; and
- (3) the Company (through YXT China), as a Unitholder, will continue to benefit from the performance of the Project, and at the same time generate sustainable income from providing operations management services for the REIT's assets.

In view of the above, the Directors believe that the terms of the Proposed Spin-off are on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

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DEFINITIONS

“ABS Manager”	CITIC, being the manager of the ABS Scheme
“ABS Scheme”	a two-tier structure involving an asset-backed securities scheme to be adopted in the Infrastructure REITs
“Announcements”	has the meaning ascribed to it under the section headed “INTRODUCTION” in this announcement
“Equity Transfer Agreement”	the equity transfer agreement dated 12 November 2021 entered into between YXT China and the SPV (after the trading hours) in relation to the transfer of the entire equity interest in the Project Company
“Operations Management Company”	Guangzhou Yue Tong Expressway Operations and Management Company Limited* (廣州越通公路運營管理有限公司), a direct wholly-owned subsidiary of the Company
“PRC GAAP”	the PRC Generally Accepted Accounting Principles as promulgated and, from time to time, amended or supplemented by the Ministry of Finance of the PRC
“Project Company Transfer”	has the meaning ascribed to it under the section headed “THE PROPOSED SPIN-OFF” in this announcement
“Public Fund Manager”	CAMC, being the manager of the Public Fund
“Public Offering”	the public offering of the Units
“REIT”	the CAMC-Yuexiu Expressway Close-end Infrastructure Securities Investment Fund to be established under the Pilot Programme
“SPV”	Hubei Yuetong Transport Investment Co., Ltd.* (湖北越通交通投資有限責任公司), an indirect wholly-owned subsidiary of the Company as at the date of this announcement, which will be merged into the Project Company by way of reverse absorption upon completion of the Public Offering

“SZSE”	the Shenzhen Stock Exchange
“Unitholders”	the holders of the Units
“YXT China”	Yuexiu (China) Transport Infrastructure Investment Company Limited* (越秀(中國)交通基建投資有限公司), a direct wholly-owned subsidiary of the Company

** For identification purposes only*

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

Hong Kong, 14 November 2021

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