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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)

INSIDE INFORMATION

LAND EXPROPRIATION WORKS AGREEMENT IN CONNECTION WITH THE PRELIMINARY PORTION OF THE GNSR EXPRESSWAY R&E PROJECT

This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules of the Stock Exchange and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

INTRODUCTION

In order to relieve the traffic pressure and enhance the traffic capacity of the GNSR Expressway with a view to complementing the PRC government's economic and infrastructure development plans within the Greater Bay Area, GNSR Company, an indirect subsidiary owned as to 60% by the Company which develops and manages the GNSR Expressway, intends to undertake the GNSR Expressway R&E Project.

As the preliminary step of implementing the GNSR Expressway R&E Project, on 17 October 2022, GNSR Company has entered into the Baiyun District Land Expropriation Works Agreement with Baiyun Land Acquisition Office, for the land expropriation arrangement to be undertaken by Baiyun Land Acquisition Office in Baiyun District in connection with preliminary works for the GNSR Expressway.

BAIYUN DISTRICT LAND EXPROPRIATION WORKS AGREEMENT

A summary of the key terms of the Baiyun District Land Expropriation Works Agreement is as follows:

- Date** 17 October 2022
- Parties**
- (i) GNSR Company
 - (ii) Baiyun Land Acquisition Office

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Baiyun Land Acquisition Office is a third party independent from the Company and its connected persons.

Expropriation Works Baiyun Land Acquisition Office shall be responsible for the expropriation of certain land in Baiyun District for the preliminary works of the GNSR Expressway pursuant to the relevant land expropriation regulations in the PRC, which shall include (i) expropriating the relevant land, arranging compensation and coordinating the resolution of land ownership disputes for such land; (ii) arranging for compensation or resettlement for the buildings and attached installations thereon and resolving the relevant disputes; and (iii) arranging for the compensation for any greenery, plantation, plant nursery, forests and related production infrastructure. In connection with the expropriation works, Baiyun Land Acquisition Office shall undertake, among others, the following actions:

- (i) preparing of the land expropriation and compensation work plans and topographical results for the approval by the relevant authorities and ensuring that the compensation standards would comply with the relevant government standard;
- (ii) communicating with parties as to which land will be expropriated, entering into expropriation compensation agreements with such parties and arranging for settlement of the compensation amounts to such parties;
- (iii) coordinate the resolution of any disputes arising in connection with the land expropriation works;
- (iv) supervising and managing land within the expropriation proposal.

GNSR Company is responsible for, among others, the following:

- (i) identifying and delineating the land to be expropriated, arranging for the land expropriation risk report, publishing for relevant notices on the expropriation and compensation arrangement;
- (ii) arranging for the economic development reserved land and re-settlement land in connection with the land expropriation arrangement;
- (iii) arranging for construction parties to compensate in relation to any cracks on buildings arising from the land expropriation project;
- (iv) arranging for the demolition works after land expropriation; and
- (v) arranging for any relocation of pipelines, greenbelt, road or drainage systems.

Expropriation Area

The land to be expropriated shall be no more than 60 Mu, with the final area to be determined in accordance with the surveying and delineation technical report to be provided by GNSR Company.

Total Compensation Amount

The total compensation amount for the expropriation of the relevant land is RMB50,000,000, which is calculated based on the relevant compensation standards.

The amount shall be paid in full by GNSR Company to Baiyun Land Acquisition Office within 15 business days after the execution of the Baiyun District Land Expropriation Works Agreement.

In addition, any pension payment required to be paid by farmers whose lands were expropriated shall be borne by GNSR Company, with the total amount expected to be no more than RMB2,700,000.

Timing of Expropriation Works

The expropriation works shall be completed within 24 months from the time when GNSR Company has completed the project identification, obtained the land use pre-approval, and published the surveying and delineation technical report and the land expropriation notice.

INFORMATION OF THE PARTIES TO THE BAIYUN DISTRICT LAND EXPROPRIATION WORKS AGREEMENT

Baiyun Land Acquisition Office

Baiyun Land Acquisition Office is a public institution registered with the Guangzhou City Baiyun District Public Institution Management Bureau. It is primarily engaged in the implementation of land expropriation works on behalf of the district government based on the approved expropriation compensation plans, the formulation of the annual land reserve plan and implementation of the land reserve expropriation works, and the management of property expropriation works within the district.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Baiyun Land Acquisition Office is a third party independent from the Company and its connected persons.

GNSR Company

GNSR Company is a limited liability company incorporated in the PRC and an indirect subsidiary of and owned as to 60% by the Company. GNSR Company is primarily engaged in the development and management of the GNSR Expressway in Guangzhou.

INFORMATION ON THE GNSR EXPRESSWAY

The GNSR Expressway, also known as the Huocun to Longshan section of the Shenyang-Haikou Expressway, is situated at the north of the Guangzhou city centre and runs through Baiyun District and Huangpu District of Guangzhou. It forms part of the Shenyang-Haikou Expressway (G15) and Beijing-Hong Kong and Macau Expressway (G4), as well as a key component of Guangzhou Ring Expressway (G1508). The GNSR Expressway commenced construction in November 1998 and opened for traffic in January 2002. Other than the Huocun to Luogang section which is a two-way, eight-lane expressway as a result of the expansion as part of the construction of the Xiangxue Interchange in 2019, the GNSR Expressway is a two-way, six-lane expressway with a total toll length of approximately 42.5km. The toll period of the GNSR Expressway is currently scheduled to expire in January 2032.

Being a part of the expressway network that links two of the core tier 1 cities of the Greater Bay Area, Guangzhou and Shenzhen, as well as other key cities such as Foshan and Dongguan, the GNSR Expressway acts as a key component of the extensive traffic network in the Greater Bay Area.

INFORMATION ON THE GNSR EXPRESSWAY R&E PROJECT

The traffic volume of the GNSR Expressway has become substantially saturated, which has led to traffic congestion becoming a commonplace phenomenon. With the continuous growth of traffic volume in Guangzhou, actual traffic volume has already exceeded the current capacity of the GNSR Expressway, and there is an apparent urgency for the reconstruction and expansion of the GNSR Expressway.

Based on the existing proposal of GNSR Company, the total length of the GNSR Expressway R&E Project is approximately 39.38km, with construction standards set at the GNSR Expressway being a two-way, ten- to twelve-lane expressway.

The majority of key governmental pre-approvals required prior to the implementation of the GNSR Expressway R&E Project have been obtained by the GNSR Company, which include but are not limited to the approval of the social stability risk assessment by the Guangzhou City Government, the pre-approval of land usage of construction project sites by the Ministry of Natural Resources of the PRC, approval of the construction feasibility studies by the Ministry of Transport of the PRC and the approval of the reconstruction and expansion project by the Guangdong Provincial Development and Reform Commission. It is currently envisaged that the works for the preliminary portion of the GNSR Expressway R&E Project will commence by the end of November 2022. The major works that follow are expected to commence in June 2023 after the obtaining of the necessary approvals (which may include Shareholders' approval, if applicable) for the main contracts of the reconstruction and expansion project, and the execution thereof, with the construction work to be completed, and the reconstructed and expanded GNSR Expressway open for traffic, in June 2028.

The total investment amount of the GNSR Expressway R&E Project is currently estimated to be approximately RMB17 billion. The GNSR Company currently envisages that approximately 70% of the total investment will be funded by external bank financing, with the remaining approximately 30% of the total investment to be funded by pro-rata capital contribution from the shareholders of GNSR Company. Taking into account the shareholding interests of the Company in GNSR Company, it is currently expected that the total capital contribution of the Company in respect of the GNSR Expressway R&E Project will be approximately RMB3.06 billion, which will be contributed to GNSR Company in accordance with the construction progress during the construction period between 2022 and 2028.

The Company intends to finance its capital contribution by way of its internal resources (including cash proceeds generated from the Group's spin-off of Huaxia Yuexiu Expressway Real Estate Investment Trust) and/or external financing available to the Group. The Company believes that its financial condition and cash flow position would not be materially adversely affected.

Notwithstanding that the above investment amounts (i) is based on the Company's current estimation only and (ii) may be subject to change in light of a number of factors, including interest rate changes, changes in project construction costs, increases in land expropriation and demolition costs and fluctuating raw materials and equipment prices, the Company will endeavour to ensure that risk mitigation measures will be undertaken by GNSR Company, such as accelerating the implementation of land expropriation and demolition, optimizing the project plan to reduce project costs, strictly enforcing auditing inspection systems, properly handling budget control, close-monitoring of on-site management of construction sites, and reasonable lowering of financing costs.

REASONS FOR AND BENEFITS OF INVESTMENT IN THE GNSR EXPRESSWAY R&E PROJECT

The investment into, construction and operation and management of toll roads and bridge projects are within the ordinary and usual course of business of the Company. GNSR Expressway is the core component of the national network of expressways including the Shenyang-Haikou Expressway (G15) and the Beijing-Hong Kong-Macao Expressway (G4), and it is also part of the Guangzhou Expressway Network plan by being an important part of the Guangdong Ring Expressway (G1508). As a vital traffic artery in the northern part of Guangzhou, the GNSR Expressway is essential in the expressway network of the Greater Bay Area.

The GNSR Expressway R&E Project is expected to significantly improve the traffic conditions, elevate service standards, reduce traffic accidents and ensure safer travel on the GNSR Expressway. Through the GNSR Expressway R&E Project, the Company believes that it can effectively improve the asset quality of GNSR Expressway, extend the comprehensive remaining concession period, expand the scale of the Company's expressway assets, enhance the Company's future development capacity of its principal toll road business, and further strengthen the Company's core advantages in the investment, construction and operation of toll roads.

National Planning Reconstruction and Expansion Project

The GNSR Expressway R&E Project has been included in the State Council, provincial and municipal "14th Five-Year Plan", and in addition, it has been listed as a key project of Guangzhou's "Siege of City and Villages" operation plan for 4 consecutive years from 2019 to 2022. Taking into account the national, provincial and municipal planning and the requirement to resolve the bottleneck of the expressways in the Greater Bay Area, the Board believes that it is necessary to carry out the relevant reconstruction and expansion of the GNSR Expressway.

Strengthening the core advantage of the most important revenue generating asset

The GNSR Expressway, being an essential traffic artery in the northern part of Guangzhou, is also the most crucial revenue-generating asset of the Company. The toll revenue of the GNSR Expressway in 2021 was approximately RMB1.121 billion, which amounted to approximately 30.7% of the total toll revenue of the Company in 2021, and therefore constituted the largest source of toll revenue of the Company. The Company anticipates that the completion of the GNSR Expressway R&E Project will be able to increase the Company's revenue potential. During the construction and expansion period, the GNSR Company is expected to adopt traffic maintenance measures to safeguard the existing traffic flow and toll collection of existing sections of the GNSR Expressway with a view to minimize the impact on the toll revenue. As such, it is expected that during the reconstruction and expansion period, there will not be any material adverse impact on the traffic flow and revenue of GNSR Expressway. Furthermore, in light of the capitalization of reconstruction and expansion costs and interests costs during the expansion and reconstruction period, the Company currently envisages that the GNSR Expressway R&E Project will not have any material adverse impact on the distribution of the Company during such period, and in the long run, such project is expected to bring positive impact on the overall financial performance of the Group.

Enhancing premium assets in the Greater Bay Area

In light of its advantage as the core artery linking two core tier 1 city, namely Guangzhou and Shenzhen, GNSR Expressway is the most important revenue-generating asset and a key foundation to the sustainable development of the Group. Given GNSR Expressway is an existing project of the Company, the Company is of the view that there is a higher revenue certainty, and stable cash flow will be available after the reconstruction and expansion without additional incubation necessary. Furthermore, the implementation of the GNSR Expressway R&E Project would allow the Company to seize development opportunity and enhance premium assets in the Greater Bay Area. With the continuous increase in the economic radiation capacity of the Greater Bay Area, implementing the GNSR Expressway R&E Project is the most direct and convenient way to seize the development opportunities and gain investment projects in the Greater Bay Area. Taking into consideration investment return, certainty and risk management perspectives, the Company is of the view that the GNSR Expressway R&E Project would be comparable to acquiring an existing project (whether matured or under development), from a third party.

Ensuring sustainable development of the enterprise

Furthermore, if the reconstruction and expansion project for the GNSR Expressway is not carried out, the operating rights of four expressway assets in which the Company is interested and two expressway assets in which the Company has a controlling stake, will expire by the end of 2030, the operating rights of the Company in all expressway assets within the Greater Bay Area will expire no later than January 2032, and existing operating rights of all expressway assets will expire by June 2042, which in such case the revenue, profit, cashflow (and in turn the operational sustainability) of the Company is expected to be materially and adversely affected.

According to Article 11 of the “Measures for the Management of Reconstruction and Expansion of Expressways by the Department of Transportation of Guangdong Province” (廣東省交通運輸廳關於高速公路改擴建管理的辦法), the reasonable toll period for new investment in expressway reconstruction and expansion projects shall be determined by factors such as estimation and calculation in accordance with the economic evaluation methodologies and parameters issued by the state and coordinated by taking into consideration the original investment and principal income. Taking into account the current total investment amount and the information set out in the feasibility report, the Board expects that through the completion of the GNSR Expressway R&E Project, the Company should be able to obtain an approval for the extension of the operating rights of the GNSR Expressway for a period up to 25 years until 2053 (based on the Company’s estimation and understanding of the current PRC regulatory policy initiatives proposed by the Ministry of Transport and the current expected completion time of the GNSR Expressway R&E Project). However, the final toll period extension, which is expected to be finalized after the GNSR Expressway R&E Project has completed and the reconstructed and expanded GNSR Expressway is open to traffic, will be subject to approval of the People’s Government of the Guangdong Province.

Taking into account the above, the Company is of the view that the GNSR Expressway R&E Project has a strategic significance to the future growth and development of the Company, and aligns with the development proposal of the Company. The Board believes that, as the preliminary step for the GNSR Expressway R&E Project, the entering into and implementation of the Baiyun District Land Expropriation Works Agreement is fair and reasonable and on normal commercial terms and is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given that all applicable percentage ratios in respect of the transactions contemplated under the Baiyun District Land Expropriation Works Agreement are less than 5%, the entering into of the Baiyun District Land Expropriation Works Agreement by GNSR Company does not constitute a discloseable transaction of the Company and is not subject to any disclosure requirements pursuant to Chapter 14 of the Listing Rules.

Other than the Baiyun District Land Expropriation Works Agreement, the Group has yet to enter into any binding agreement for other expropriation works or construction works envisaged under the GNSR Expressway R&E Project, and the project and the investment amount thereunder is subject to uncertainties. It is anticipated that the Group may enter into transactions contemplated under the GNSR Expressway R&E Project with different parties. In the event these transactions materialize, depending on the scale and nature of such transactions, they may or may not constitute notifiable transactions and/or connected transactions under Chapters 14 and 14A of the Listing Rules. The Company will comply with the relevant requirements of the Listing Rules in respect of these transactions accordingly. **Investors are advised to pay attention to the investment risks.**

DEFINITIONS

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

“Baiyun District”	Baiyun District of Guangzhou, the PRC
“Baiyun District Land Expropriation Works Agreement”	the Baiyun District Land Expropriation Works Entrustment Agreement for the Reconstruction and Expansion Construction Project of the Huocun to Longshan section of the Shenyang-Haikou National Expressway entered into between GNSR Company and Baiyun Land Acquisition Office on 17 October 2022
“Baiyun Land Acquisition Office”	the Land Acquisition Office of the People’s Government of Baiyun District of Guangzhou City* (廣州市白雲區人民政府徵地辦公室)
“Board”	the board of Directors
“Company”	Yuexiu Transport Infrastructure Limited (越秀交通基建有限公司), an exempted company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GNSR Company”	Guangzhou City North Second Ring Transport Technology Company Limited* (廣州市北二環交通科技有限公司), a limited liability company incorporated in the PRC and an indirect non-wholly subsidiary of and owned as to 60% by the Company
“GNSR Expressway”	Guangzhou City Northern Second Ring Expressway, also known as the Huocun to Longshan section of the Shenyang-Haikou Expressway
“GNSR Expressway R&E Project”	the reconstruction and expansion project of the GNSR Expressway, further details of which are set out in the section “Information of the GNSR Expressway R&E Project”
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“km”	kilometre
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

* *For identification purposes only*

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

Hong Kong, 17 October 2022

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