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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)**

### **MAJOR TRANSACTION**

### **ACQUISITION OF 100% EQUITY INTEREST IN A PRC COMPANY**

### **WHICH OPERATES THE WEIXU EXPRESSWAY**

#### **AGREEMENT**

The Board is pleased to announce that on 29 October 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Equity Interest. The final Consideration will be “RMB2.73 billion — Final Audited Liabilities — (if applicable) the Deducted Amounts”. As the Final Audited Liabilities cannot be ascertained as at the Signing Date, the Vendors and the Purchaser agreed an amount of RMB1,061,549,933.47 as the Initial Consideration.

The Target Company is principally engaged in the investment, construction, operation and management of the Weixu Expressway. Upon completion of the Acquisition, the Company will, through the Purchaser, own the interests in, and the operating right to, the Weixu Expressway and the Target Company together with the Target Subsidiary will become indirect wholly-owned subsidiaries of the Company.

## **REASONS AND BENEFITS FOR THE ACQUISITION**

The Board considers that the Acquisition will bring forth the following benefits to the Group and hence is in the interests of the Company and its Shareholders as a whole:

The Weixu Expressway is strategically located in the middle of Henan Province. Henan is a province experiencing fast economic growth, and it has well-developed expressways. The domestic economy of Henan offers an optimistic prospect for traffic and logistics, so it is expected that the Weixu Expressway will benefit from the growth potentials of traffic flow.

The concession period of the Weixu Expressway has a remaining term of over 23 years before its expiry in May 2035. The Acquisition can improve the quality and broaden the base of the expressways of the Group and contribute to the continuing growth of the Group.

The length of the Weixu Expressway which is chargeable with toll is approximately 64.284 km and is in-line with the Group's strategic development plan to invest in expressways that are over 50 km. The average acquisition cost of the Weixu Expressway is approximately RMB42.5 million per km, which is generally lower than the cost for the acquisition of similar types of toll road. In addition, due to the high quality of construction, it is expected that the future maintenance cost will be lower.

The Initial Consideration will be partly funded by the net compensation received or to be received by the Group in respect of the closure of its Class 1 toll highways in October 2010. Having considered that the acquisition of the Weixu Expressway will replenish the loss in the length of toll road which may otherwise generate revenue for the Group, the Board believes the Acquisition is in the interests of the Group and will provide the Group with a toll expressway of better quality and longer life span than the Class 1 toll highways mentioned above.

Since its commencement of toll collection in 2005 and after the usual "incubation" phase of a toll expressway, the Target Group started to record profit after tax (under the HKFRSs) in the amounts of approximately RMB10.4 million, RMB11.6 million and RMB13.6 million for the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 respectively. The Board believes it

will become one of key drivers of the Group in terms of profit and cash flow contribution in the mid to long term operation. The Board is also confident that the PRC economy will sustain a stable growth despite the debt crisis of the Euro zone and the weak US economy.

### **IMPLICATIONS UNDER LISTING RULES**

As the applicable percentage ratios exceed 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

## **A. THE AGREEMENT**

The Board is pleased to announce that on 29 October 2011, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Equity Interest. The principal terms of the Agreement are summarised below:

### **1. Date**

29 October 2011.

### **2. Parties**

- (i) the Purchaser, a wholly-owned subsidiary of the Company;
- (ii) Ruibeika; and
- (iii) Mr. Zheng.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ruibeika, its ultimate beneficial owners and Mr. Zheng are third parties independent of, and not connected with, the Company and its connected persons.

### **3. Assets to be acquired by the Group**

An aggregate of 100% of the equity interest in the Target Company of which 95% is owned by Ruibeika and the remaining 5% is owned by Mr. Zheng. Upon completion of the Acquisition, the Company will, through the Purchaser, own the Equity Interest and the Target Company together with the Target Subsidiary will become the indirect wholly-owned subsidiaries of the Company.

As at the date of this announcement, 95% of the Equity Interest owned by Ruibeika was subject to (i) an equity pledge in favour of Citic Bank Joint Stock Company Limited, Zhengzhou Branch\* (中信銀行股份有限公司鄭州分行) (“**Citic Bank**”) to secure the loans granted by Citic Bank to the Target Company and (ii) an equity pledge in favour of China Merchants Bank Joint Stock Company Limited, Shenzhen Cuizhu Branch\* (招商銀行股份有限公司深圳翠竹支行) (“**China Merchants Bank**”) to secure the loan granted by China Merchants Bank to the Target Company. As at 31 July 2011, the respective debts owed by the Target Company to Citic Bank and China Merchants Bank which were secured by the aforesaid equity pledges were RMB80 million and RMB499 million. It is one of the Conditions to Completion that the Vendors having obtained the written consents of, among others, Citic Bank and China Merchants Bank consenting the Vendors’ transfer of the Equity Interest to the Purchaser. In this regard, please refer to the section headed “Conditions precedent” for further details. Subject to the final agreements between the Purchaser and Citic Bank or China Merchants Bank (as the case may be), it is currently expected that after Completion, the Purchaser will replace Ruibeika as the party pledging the Equity Interest (or part thereof) to Citic Bank and China Merchants Bank to secure the loans referred to above.

#### 4. **Coming into effect of the Agreement**

The Agreement will become effective upon the approval(s) granted by the relevant PRC governmental authorities.

#### 5. **Consideration**

The amount of the final Consideration will be determined by a formula described in paragraph (b) below taking into account the Final Audited Liabilities. As the Final Audited Liabilities cannot be ascertained as at the Signing Date, the Vendors and the Purchaser agreed an amount as the Initial Consideration as described in paragraph (a) below.

##### (a) Initial Consideration

The initial consideration (“**Initial Consideration**”) is RMB1,061,549,933.47 calculated as follows:

$$\text{RMB2.73 billion} - \text{RMB1,668,450,066.53} = \text{RMB1,061,549,933.47}$$

The amount of RMB2.73 billion represents the estimated value of the Weixu Expressway through arm’s length negotiations between the Vendors and the Purchaser with reference to the average acquisition cost of approximately RMB42.5 million per km and the length of the Weixu Expressway chargeable with toll being 64.284 km.

The amount of RMB1,668,450,066.53 represents the total liabilities of the Target Company as at 31 July 2011 based on the unaudited accounts of the Target Company prepared in accordance with PRC accounting standards.

(b) Consideration

Subject to the adjustment pursuant to the Completion Accounts as described in paragraph (c) below, if applicable, the amount of the final Consideration will be calculated as follows:

RMB2.73 billion — the Final Audited Liabilities

(c) Adjustment of the Consideration

If applicable, the amounts representing the following items will be deducted from the Consideration pursuant to the Completion Accounts:

- (i) the liabilities of the Target Group and other payables which have not been disclosed in the list of liabilities attached to the Agreement; and
- (ii) the extent that the assets of the Target Group as at the Completion Date are inadequate, damaged or the value of which is otherwise lost as compared with the assets of the Target Group set out in the list of assets attached to the Agreement.

(d) Assumption of Shareholder's Debt

As at 31 July 2011, Ruibeika owed a debt in the amount of RMB421,329,973.30 to the Target Company ("**Shareholder's Debt**"), such debt will be assumed by the Purchaser.

The Consideration was determined through arm's length negotiations between the Vendors and the Purchaser and on a commercial basis. Compared to the fair value of the Equity Interest in the amount of RMB1,728,000,000 as at 30 September 2011, as appraised by GCA, an independent valuer engaged by the Company, using the income approach with discounted cash flow method (which constitutes a profit forecast under Rule 14.61 of the Listing Rules ("**Profit Forecast**")), the sum of RMB1,482,879,906.77 (being the aggregate amounts of the Initial Consideration and Shareholder's Debt) represents a discount of approximately 14.2% to the appraised value of the Equity Interest. Please refer to the section headed "B. Fair Value of the Equity Interest" below for the principal assumptions on which the Profit Forecast was based. It is currently expected that the Consideration will be funded by the Group's internal resources and/or banking facilities.

## 6. Payment of the Consideration

- (a) The Consideration will be payable in cash by the Purchaser in RMB or equivalent Hong Kong dollars in three instalments as follows:
- (i) the first instalment, being 80% of the Initial Consideration (“**First Instalment**”);
  - (ii) the second instalment to be determined by the formula set out below:  
$$\text{Consideration} \times 90\% - \text{Deducted Amounts (if any)} - \text{the First Instalment (“Second Instalment”)}; \text{ and}$$
  - (iii) the third instalment to be determined by the formula set out below:  
$$\text{Consideration} \times 10\% - \text{additional Deducted Amounts (if any)}.$$
- (b) The timing for the payment of the Consideration is set out below:

<b>Consideration</b>	<b>Timelines</b>
First Instalment	: Within 3 business days from the Completion Date
Second Instalment	: Within 15 business days from the issue of the Completion Accounts
The Third Instalment	: Within 1 year after the Target Company has obtained the new business licence referred to in the Agreement

## 7. Conditions precedent

Completion of the Agreement is conditional upon fulfilment (or waiver, if applicable) of the following Conditions on or before the Long Stop Date:

- (a) the representations, warranties and undertakings given by the Vendors and the Purchaser in the Agreement remain true, accurate and not misleading as at the Completion Date;
- (b) since the Signing Date, there has been no event the occurrence of which has material adverse effect on the Vendors or the Target Company;
- (c) the Vendors having procured the Target Company to complete, and the Target Company having duly completed, each of the following:
  - (i) the People’s Government of Henan Province having approved the establishment of the toll collection stations and the toll collection

period for the Weixu Expressway, and the toll collection period is the same as the concession period agreed under the Concession Agreement (i.e. 30 years commenced from 16 May 2005);

- (ii) the Vendors having obtained the written consents of the creditors of the Target Company including (A) Industrial and Commercial Bank of China Joint Stock Company Limited, Xuchang Branch\* (中國工商銀行許昌分行) (“ICBC”); (B) China Merchants Bank; and (C) Citic Bank consenting the Vendors transfer of the Equity Interest to the Purchaser;
- (iii) the guarantee given by the Target Company in favour of ICBC in relation to the loans granted by ICBC to Wei Du Li Da Wig Products Factory of Xuchang City\* (許昌市魏都利達髮製品廠) having been discharged;
- (iv) other than (A) the Shareholder’s Debt and (B) the receivables from the Expressway Management Office of the Transport Department of Henan Province\* (河南省交通廳高速公路管理局), the Target Company not having any receivables (whether individually or in aggregate) the amount of which exceeds RMB500,000;
- (v) other than bank loans, the Target Company having settled all the payables (whether individually or in aggregate) the amounts of which exceed RMB500,000 and other payables;
- (vi) all written consents of third parties (including but not limited to the People’s Government of Xuchang City and the Transport Bureau of Xuchang City (許昌市交通局) as authorised by the People’s Government of Xuchang City) consenting the Acquisition having been obtained by the Purchaser in such forms satisfactory to the Purchaser;
- (vii) the land use right certificate in respect of the construction land with an area of 140.1564 hectares situated in Weishi County under the name of the Target Company having been obtained;
- (viii) the application for the approvals of the construction of the buildings of the Weixu Expressway including the office for the Yanling West station (鄢陵西站), the office for the Yanling North station (鄢陵北站) and the buildings of the service area having completed and the relevant approvals under the name of the Target Company having been granted; and

- (ix) the approval procedures in relation to the installation of the outdoor advertising board at the Weixu Expressway under the name of the Target Company having been completed;
- (d) the Vendors and the Target Company having fully performed and complied with their respective obligations, warranties and undertakings on or prior to Completion in accordance with the Agreement;
- (e) each of the Vendors and the Purchaser having obtained all the internal approvals in respect of the Acquisition which are necessary under applicable laws (including the shareholders' approvals granted by the Vendors and execution of waiver of pre-emptive rights by other shareholders) and having complied with the relevant procedures (including satisfaction of the disclosure and other requirements under the Listing Rules on the part of the holding company of the Purchaser);
- (f) the Target Company having obtained all approvals or registration necessary for the Acquisition including but not limited to:
  - (i) the governmental authorities which have jurisdictions over the Acquisition (other than the relevant Department of Commerce but including the People's Government of Henan Province, the Transport Department of Henan Province (河南省交通廳)) having approved the transfer of the Equity Interest;
  - (ii) the relevant Department of Commerce having approved the terms of the Agreement, the transfer of the Equity Interest and the articles of association and issued the certificate of approval for the Target Company which specified that the Purchaser owns 100% of the equity interest of the Target Company;
- (g) there being (i) no challenges, claim for damages or other remedies in relation to the Acquisition or (ii) no procedures which may prevent or delay or cause the Acquisition to become illegal or otherwise interfere the Acquisition;
- (h) there being no adverse consequences due to breach (directly or indirectly) of laws, documents issued by any governmental authorities or any material contracts of the Target Company as a result of Completion and performance of the sale and purchase of the Equity Interest; and

- (i) there being no circumstances under which any creditors (including but not limited to ICBC, China Merchants Bank, Citic Bank or Xuchang Bank Joint Stock Company Limited\* (許昌銀行股份有限公司)) may deal with the assets of the Target Company or the toll collection rights of the Target Company.

All or any of the Conditions may be unilaterally waived by the Purchaser with or without conditions.

If any of the Conditions are not fulfilled (or waived) on or before the Long Stop Date, and the Purchaser refuses to waive any of the Conditions, the Purchaser may extend the period within which the Conditions must be fulfilled. If the Conditions cannot be fulfilled within the extended period, then the Agreement shall be terminated forthwith and ceased to be binding on the Vendors and the Purchaser. Further, the party who is responsible for the non-fulfilment of the relevant Condition shall indemnify the non-defaulting party.

## **8. Completion**

Completion of the Agreement will take place on the Completion Date, which shall be the date on which the new business licence of the Target Company is issued by the relevant registration authority, provided that all the Conditions have been fulfilled or waived (as the case may be). The expiry date for the operating term of the Target Company specified on such business licence must be consistent with the expiry date of concession period for the Weixu Expressway.

## **9. Other principal terms**

- (a) After Completion Date, if the Target Company receives the receivables as of 30 September 2011 from the Expressway Management Office of the Transport Department of Henan Province\* (河南省交通廳高速公路管理局), the Purchaser shall, after the relevant amounts having been verified by the Purchaser and the Vendors, procure the Target Company to pay those amounts to the Vendors.
- (b) The Vendors shall be responsible for all taxation liabilities of the Target Group on or before the Completion Date and shall indemnify the Target Group in full if the Target Group shall suffer any economic loss from such liabilities.

## **B. FAIR VALUE OF THE EQUITY INTEREST**

For the purpose of complying with Rule 14.62 of the Listing Rules, the major assumptions on which the Profit Forecast was based are set out below:

- (1) there will be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in the PRC where the Target Company is located;
- (2) there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (3) there will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
- (4) traffic growth for the Target Company will conform to the average of the conservative and optimistic scenarios as projected in the traffic report prepared by Jie Cheng Consultants Limited (“**Jie Cheng**”) dated 29 October 2011 (“**Traffic Report**”) (Please refer to Tables 1 to 3 below for summaries of certain information on the traffic forecast projection on the Weixu Expressway, respectively);
- (5) operating expenses and capital expenditure will conform to the projection made by Jie Cheng in the Traffic Report;
- (6) depreciation policy of the Target Company is subject to its own accounting policy;
- (7) credit terms and repayment schedules of bank loans are provided by the management of the Target Company; and
- (8) the Target Company will retain competent management, key personnel, and technical staff to support the ongoing operation of the Weixu Expressway.

**Table 1 — Summary of Traffic Forecast Projections on Average Daily Toll Traffic basis (“ADTT”)**

<b>Year</b>	<b>Optimistic case (Vehicle/day)</b>	<b>Conservative case (Vehicle/day)</b>
2011	6,339	5,648
2012	7,747	6,643
2013	10,012	8,251
2014	11,599	9,425
2015	12,227	9,680
2016	13,758	10,820
2021	21,426	16,384
2026	31,194	22,826
2031	39,056	29,983

**Table 2 — Summary of Traffic Forecast Projections On Growth of ADTT**

<b>Year</b>	<b>Optimistic case</b>	<b>Conservative case</b>
2011	—	—
2012	22.2%	17.6%
2013	29.2%	24.2%
2014	15.9%	14.2%
2015	5.4%	2.7%
2016	12.5%	11.8%
2021	8.7%	7.8%
2026	7.2%	6.3%
2031	40.5%	14.0%

**Table 3 — Summary of Traffic Forecast Projections In Annual Revenue**

<b>Year</b>	<b>Optimistic case (RMB in million)</b>	<b>Conservative case (RMB in million)</b>
2011	202	178
2012	251	212
2013	331	268
2014	382	306
2015	396	307
2016	444	343
2021	680	512
2026	975	707
2031	1,220	921

The Board has reviewed the principal assumptions upon which the Profit Forecast was based and is of the view that the Profit Forecast has been made after due and careful enquiry.

PricewaterhouseCoopers, the reporting accountant of the Company, has also issued a report on the calculations for the discounted future estimated cash flows on which the valuation prepared by GCA was based.

A letter from the Board and a report from PricewaterhouseCoopers are included in the appendices to this announcement for the purpose of Rule 14.62 of the Listing Rules.

### **C. INFORMATION ON THE TARGET GROUP AND THE WEIXU EXPRESSWAY**

The Target Company is a company established in the PRC with limited liability and is principally engaged in the investment, operation and management of the Weixu Expressway. The registered capital of the Target Company is RMB495 million which has been fully paid up. The current operating term of the Target Company is 10 years commenced on 1 July 2003 and ending on 1 July 2013, which is inconsistent with the concession period of the Weixu Expressway, being 30 years from 16 May 2005. Pursuant to the Agreement, the expiry date for the operating term of the Target Company specified on the new business licence to be issued to the Target Company must be consistent with the expiry date of the concession period for the Weixu Expressway. Please refer to the section headed “Completion” above for further details. As at the date of this announcement, the toll collection right of the Weixu Expressway is subject to the Pledge on Toll Collection Rights. As at 31 July 2011, the debts owed by the Target Company to ICBC which is secured by the Pledge on Toll Collection Right is approximately RMB1.048 billion. It is the intended arrangement of the Company as at the date of this announcement that the Pledge on Toll Collection Rights will continue to exist after Completion.

As at the date of this announcement, the Target Company has one subsidiary, namely Yanling Ruibeika Expressway Services Limited\* (鄢陵瑞貝卡高速公路服務有限公司) which is wholly-owned by it. The Target Subsidiary is a PRC company principally engaged in retail of pre-packaged food, catering and accommodation. It has a registered capital of RMB100,000 which has been fully paid up.

The Weixu Expressway is located at Xuchang County (許昌縣) and Yanling County (鄢陵縣) of Xuchang City (許昌市) which is located in the middle of Henan Province and Weishi County (尉氏縣) of Kaifeng City (開封市), Henan Province, the PRC and is the middle section of Lannan Expressway (蘭南高速). Weixu Expressway starts from Zhangzhuangxi (張莊西), which is at the northeast of Weishi County at Weishi interchange in the Lankao-Weishi Expressway (蘭考至尉氏高速公路).

The Weixu Expressway extends to the southwest and ends at the Sunliuzhao (孫劉趙) interchange in the Xu-Ping-Nan Expressway (許平南高速公路), through which it also intersects with the G4 Expressway (京港澳高速). To the northeast direction the Weixu Expressway connects with the expressway network of Shandong Province through the Lankao-Weishi Expressway and to the southwest it connects with Xiangfan City (襄樊市), Hubei Province through the Erguang Expressway (二廣高速). The toll length of the Weixu Expressway is 64.284 km. The design speed is 120km/h. The Weixu Expressway is a dual 3-lane expressway without hard shoulder but is equipped with emergency parking bay along the length of the expressway. The construction of the Weixu Expressway commenced in November 2003 and was completed for operation in November 2005, with a final project cost of RMB 2.005 billion (i.e. RMB 31.19 million per km). Two toll stations are located at the north and west of Yanling County.

Set out below is the unaudited financial information of the Target Group for the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 respectively which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”):

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2010</b>	<b>Six months ended 30 June 2011</b>
	<i>Unaudited (RMB'000)</i>	<i>Unaudited (RMB'000)</i>	<i>Unaudited (RMB'000)</i>
Revenue	135,199	155,657	88,450
Profit before tax and extraordinary items	14,078	15,532	18,169
Profit after tax and extraordinary items	10,365	11,596	13,598

#### **D. INFORMATION ON THE GROUP AND RUIBEIKA**

The Group is principally engaged in investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC. The Group has also invested in a terminal project located in the Chishuixu operation area of the Wuzhou port, Guangxi Zhuang Autonomous Region, the PRC. The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

Ruibeika is a company established in the PRC. Ruibeika together with its subsidiaries are principally engaged in the sale and manufacture of wig products, operation of expressways, real properties development, investment management, water resources, education, hotel and mining.

## **E. REASONS AND BENEFITS FOR THE ACQUISITION**

The Weixu Expressway is an important part of the expressway connecting Rizhao City (日照市) in Shandong Province and Nanyang City (南陽市) in Henan Province, which is part of the “7918 Network” of the national expressways plan. The Weixu Expressway is also an important part of the expressway connecting Lankao County (蘭考縣) and Nanyang City (南陽市), which is one of the six expressways in the expressway networks plan of Henan Province.

The Weixu Expressway is strategically located in the middle of Henan Province. Henan is a province experiencing fast economic growth, and it has well-developed expressways. The domestic economy of Henan offers an optimistic prospect for traffic and logistics, so it is expected that the Weixu Expressway will benefit from the growth potentials of traffic flow.

The concession period of the Weixu Expressway has a remaining term of over 23 years before its expiry in May 2035. The Acquisition can improve the quality and broaden the base of the expressways of the Group and contribute to the continuing growth of the Group.

The length of the Weixu Expressway which is chargeable with toll is approximately 64.284 km, and is in-line with the Group’s strategic development plan to invest in expressways that are over 50 km. The average acquisition cost of the Weixu Expressway is approximately RMB42.5 million per km, which is generally lower than the cost for the acquisition of similar types of toll road. In addition, due to the high quality of construction, it is expected that the future maintenance cost will be lower.

The Initial Consideration will be partly funded by the net compensation received or to be received by the Group in respect of the closure of its Class 1 toll highways in October 2010. Having considered that the acquisition of the Weixu Expressway will replenish the loss in the length of toll road which may otherwise generate revenue for the Group, the Board believes the Acquisition is in the interests of the Group and will provide the Group with a toll expressway of better quality and longer life span than the Class 1 toll highways mentioned above.

The Weixu Expressway had started its trial toll collection on 18 November 2005. As set out in the unaudited financial information of Target Group above, the revenue for the two years ended 31 December 2009 and 2010 and for the six months ended 30 June 2011 amounted to approximately RMB135.2 million, RMB155.7 million and RMB88.5 million respectively, representing an annual growth rate of approximately 14.3% and 15.1% for 2009 and 2010 respectively. Since its commencement of toll

collection in 2005 and after the usual “incubation” phase of a toll expressway, the Target Group started to record profit after tax (under the HKFRSs) in the amounts of approximately RMB10.4 million, RMB11.6 million and RMB13.6 million for the years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 respectively. The Board believes it will become one of key drivers of the Group in terms of profit and cash flow contribution in the mid to long term operation. The Board is also confident that the PRC economy will sustain a stable growth despite the debt crisis of the Euro zone and the weak US economy.

The total equity of the Target Group as at 30 June 2011 as per the unaudited financial information of the Target Group prepared in accordance with HKFRSs was approximately RMB523.4 million. The fair value of the Equity Interest as at 30 September 2011 (as appraised by GCA by adopting the income approach of discounted cash flow method) was approximately RMB1.728 billion. The sum of RMB1,482,879,906.77 (being the aggregate amounts of the Initial Consideration and Shareholder’s Debt) represents a discount of approximately 14.2% to the said appraised value. The Internal Rate of Return of the Target Company as derived from the discounted cash flow method of GCA was approximately 14.78%.

Having taken into account the above reasons and benefits, the Board considers that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **F. IMPLICATIONS UNDER LISTING RULES**

As the applicable percentage ratios exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders at a general meeting. However, as no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Acquisition and a closely allied group of shareholders, who are interested in an aggregate of 1,014,796,050 Shares representing approximately 60.65% of the issued share capital of the Company as at the date of this announcement having the right to attend and vote at any general meeting of the Company, has given its written approval of the Acquisition, the written approval of the aforementioned group of shareholders will be accepted in lieu of holding a general meeting pursuant Rule 14.60(5) of the Listing Rules. The aforesaid shareholders are (i) Yue Xiu Enterprises (Holdings) Limited (holding 8,653 Shares representing approximately 0.001% of the issued share capital in the Company); (ii) Grace Lord Group Limited (holding 578,428,937 Shares representing approximately 34.571% of the issued share capital in the Company); (iii) Housemaster Holdings Limited (holding 367,500,000 Shares representing approximately 21.964% of the issued share capital in the Company); (iv) Yue Xiu

Finance Company Limited (holding 54,443,000 Shares representing approximately 3.254% of the issued share capital in the Company); (v) Greenwood Pacific Limited (holding 13,761,460 Shares representing approximately 0.822% of the issued share capital in the Company); and (vi) Dragon Year Industries Limited (holding 654,000 Shares representing approximately 0.039% of the issued share capital in the Company), all being subsidiaries of Guangzhou Yuexiu Holdings Limited.

A circular containing, among other things, further details of the Acquisition, will be despatched to the Shareholders on or before 18 November 2011 (being 15 business days after the date of this announcement).

## **EXPERTS AND CONSENTS**

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
GCA	Valuer
PricewaterhouseCoopers	Certified public accountants

As at the date of this announcement, neither GCA nor PricewaterhouseCoopers has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the knowledge, information and belief of the Board, each of GCA and PricewaterhouseCoopers is a third party independent of, and not connected with, the Company or its connected persons.

The valuation report made by GCA was dated 29 October 2011.

Each of GCA and PricewaterhouseCoopers has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which it is included.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meaning:

- “Acquisition”** means the acquisition of the Equity Interest by the Purchaser pursuant to the Agreement;
- “Agreement”** means the equity interest transfer agreement dated 29 October 2011 entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Equity Interest;
- “Board”** means the board of Directors;
- “Company”** means 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;
- “Completion”** means completion of the sale and purchase of the Equity Interest;
- “Completion Accounts”** means the audited accounts to be prepared in accordance with PRC accounting standards on the Target Group as at 30 September 2011 and the amounts of the Deducted Amounts as at the Completion Date to be issued within 20 business days after the Completion Date by the auditor jointly appointed by the Vendors and the Purchaser;
- “Completion Date”** means (subject to the fulfilment (or waiver) of the Condition(s)) the date on which completion of the Agreement takes place, being the date on which the relevant registration authority issued the new business licence to the Target Company;
- “Concession Agreement”** means the concession agreement dated 16 May 2005 entered into between the Transport Bureau of Xuchang City\* (許昌市交通局) and the Target Company pursuant to which, among other things, the Target Company was granted the concession to operate the Weixu Expressway for a period of 30 years commenced from 16 May 2005;
- “Conditions”** means the conditions precedent to Completion;

<b>“connected persons”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Consideration”</b>	means the consideration payable for the acquisition of the Equity Interest pursuant to the Agreement;
<b>“Deducted Amounts”</b>	means such amounts (if any) to be deducted from the Consideration in accordance with the Completion Accounts;
<b>“Directors”</b>	means the directors of the Company;
<b>“Equity Interest”</b>	means an aggregate of 100% equity interest in the Target Company owned by the Vendors of which 95% is owned by Ruibeika and the remaining 5% is owned by Mr. Zheng;
<b>“Final Audited Liabilities”</b>	means the audited total liabilities of the Target Company as at 30 September 2011 in accordance with PRC accounting standards;
<b>“GCA”</b>	means Greater China Appraisal Limited, an independent qualified valuer appointed by the Group;
<b>“Group”</b>	means the Company and its subsidiaries;
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the PRC;
<b>“Internal Rate of Return”</b>	means the discount rate at which the sum of the present value of cash flows of an investment or set of investments equals the cost of that investment;
<b>“km”</b>	means kilometre(s);
<b>“Listing Rules”</b>	means the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Long Stop Date”</b>	means the date which falls on the expiry of 6 months (or such longer period as determined by the Purchaser) of the Signing Date;
<b>“Mr. Zheng”</b>	鄭有志 (Zheng Youzhi*), a PRC citizen who owns 5% of the Equity Interest;

<b>“Pledge on Toll Collection Right”</b>	means the pledge created over the toll collection right of the Weixu Expressway in favour of ICBC to secure loans up to RMB1.3 billion granted by ICBC to the Target Company during the period from 11 June 2008 to 26 September 2019 (both days inclusive) and the pledge to be created over one-third of the toll collection right of the Weixu Expressway in favour of China Merchants Bank within 30 days after the release of the existing pledge on the toll collection right of Weixu Expressway in favour of ICBC;
<b>“PRC”</b>	means the People’s Republic of China and, for the purposes of this announcement only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
<b>“Purchaser”</b>	means 越秀（中國）交通基建投資有限公司（Yuexiu (China) Transport Infrastructure Investment Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
<b>“RMB”</b>	means Renminbi, the lawful currency of the PRC;
<b>“Ruibeika”</b>	means 河南瑞貝卡控股有限責任公司 (Henan Ruibeika Holdings Company Limited*), a company established in the PRC which owns 95% of the Equity Interest;
<b>“Shareholders”</b>	means the shareholders of the Company;
<b>“Shares”</b>	means shares of nominal value of HK\$0.1 in the capital of the Company;
<b>“Signing Date”</b>	means 29 October 2011, being the date on which the Agreement was signed;
<b>“Stock Exchange”</b>	means The Stock Exchange of Hong Kong Limited;
<b>“Target Company”</b>	means 河南瑞貝卡實業有限公司 (Henan Ruibeika Industrial Company Limited*), a company established in the PRC;
<b>“Target Group”</b>	means Target Company together with the Target Subsidiary;

- “Target Subsidiary”** means 鄢陵瑞貝卡高速公路服務有限公司 (Yanling Ruibeika Expressway Services Limited\*), a company established in the PRC on 15 March 2011 and a wholly-owned subsidiary of the Target Company;
- “Vendors”** Ruibeika and Mr. Zheng;
- “Weixu Expressway”** means the expressway which connects Weishi (尉氏) and Xuchang (許昌) in Henan Province, the PRC; and
- “%”** means percentage.

By Order of the Board  
**Yuexiu Transport Infrastructure Limited**  
**Zhang Zhaoxing**  
*Chairman*

Hong Kong, 29 October 2011

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

*Executive Directors: ZHANG Zhaoxing (Chairman), LIANG Youpan, LI Xinmin, LIANG Ningguang, WANG Shuhui and QIAN Shangning*

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

*\* For identification purpose only*

29 October 2011

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12th Floor, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

Dear Sirs,

### **Major Transaction**

We refer to the valuation report dated 29 October 2011 prepared by Greater China Appraisal Limited (“**Valuer**”) in relation to the valuation of the fair value of 100% equity interest in 河南瑞貝卡實業有限公司 (Henan Ruibeika Industrial Company Limited\*), a company established in the PRC, as at 30 September 2011 (the “**Valuation**”). 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.

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. We have also considered the report from our reporting accountant, PricewaterhouseCoopers, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

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**  
**ZHANG Zhaoxing**  
*Chairman*

\* *For identification purpose only*



羅兵咸永道

**REPORT FROM REPORTING ACCOUNTANT ON DISCOUNTED FUTURE  
ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS  
VALUATION OF 河南瑞貝卡實業有限公司****TO THE BOARD OF DIRECTORS OF YUEXIU TRANSPORT  
INFRASTRUCTURE LIMITED**

We have been engaged to report on the calculations of the discounted future estimated cash flows for the period from October 2011 to May 2035 on which the business valuation (the “Valuation”) dated 29 October 2011 prepared by Greater China Appraisal Limited in respect of the appraisal of the fair value of the 100% equity interests in 河南瑞貝卡實業有限公司 (Henan Ruibeika Industrial Company Limited\*) (the “Target Company”) is based. The Valuation is set out in the announcement of Yuexiu Transport Infrastructure Limited (the “Company”) dated 29 October 2011 (the “Announcement”) in connection with the acquisition of a 100% equity interest in the Target Company by 越秀(中國)交通基建投資有限公司 (Yuexiu (China) Transport Infrastructure Investment Company Limited\*), a wholly-owned subsidiary of the Company. The Valuation based on the discounted future estimated cash flows 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 (the “Listing Rules”).

**Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors as set out in the section headed “Fair Value of the Equity Interest” of the Announcement with details set out in the relevant valuation report. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.



羅兵咸永道

## **Reporting Accountant's Responsibility**

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the section headed "Fair Value of the Equity Interest" of the Announcement with details set out in the relevant valuation report. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. 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, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by directors of the Company as set out in section headed "Fair Value of the Equity Interest" of the Announcement with details set out in the relevant valuation report.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 29 October 2011

*\* For identification purpose only*