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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this Circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Yuexiu Transport Infrastructure Limited (“Company”), you should at once hand this Circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

- (1) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO BANK DEPOSITS;**  
**(2) NOTICE OF SPECIAL GENERAL MEETING; AND**  
**(3) CLOSURE OF REGISTER OF MEMBERS**

**Independent Financial Adviser to the Independent Board Committee  
and  
the Independent Shareholders**



**SOMERLEY CAPITAL LIMITED**

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A notice convening the Special General Meeting of the Company to be held at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 30 May 2018 at 11:00 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened to be held at 10:30 a.m. on the same date and at the same place) is set out on pages 31 to 32 of this Circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting (or any adjourned meeting thereof). The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

14 May 2018

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	15
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR</b> .....	16
<b>APPENDIX I: GENERAL INFORMATION</b> .....	25
<b>NOTICE OF SPECIAL GENERAL MEETING</b> .....	31

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## DEFINITIONS

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*In this Circular, unless the context requires otherwise, the following expressions have the following meanings:*

“2016 Announcement”	has the meaning ascribed to it under the section headed “Introduction” in the “Letter from the Board” in this Circular
“2016 Bank Deposits Agreement”	the master agreement dated 28 December 2016 entered into between the Company and CHB in relation to Bank Deposits
“2018 Bank Deposits Agreement”	the master agreement dated 2 May 2018 entered into between the Company and CHB in relation to Bank Deposits
“Announcement”	the announcement of the Company dated 2 May 2018 in relation to the 2018 Bank Deposits Agreement
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“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
“CCT Report”	has the meaning ascribed to it under the section headed “Internal Control Procedures” in the “Letter from the Board” in this Circular
“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
“Circular”	this circular in relation to the Transactions issued by the Company in accordance with the Listing Rules
“Company”	Yuexiu Transport Infrastructure Limited, a limited liability company incorporated under the laws of Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01052)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Effective Date”	30 May 2018, being the date of the Special General Meeting

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## DEFINITIONS

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“Existing Major Bank(s)”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions in relation to Bank Deposits — Revised Bank Deposits Annual Caps” in the “Letter from the Board” in this Circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen, Ambrose and Mr Cheung Doi Shu, established to advise the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders other than YXE and its 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
“Internal Control Procedures”	has the meaning ascribed to it under the section headed “Internal Control Procedures” in the “Letter from the Board” in this Circular
“Latest Practicable Date”	10 May 2018, being the latest practicable date prior to the printing of this Circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mainland China”	the People’s Republic of China which, for the purpose of this Circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

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## DEFINITIONS

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“Original Bank Deposits Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions in relation to Bank Deposits — Revised Bank Deposits Annual Caps” in the “Letter from the Board” in this Circular
“PBOC”	The People’s Bank of China
“Revised Bank Deposits Annual Caps”	has the meaning ascribed to it under the section headed “Continuing Connected Transactions in relation to Bank Deposits — Revised Bank Deposits Annual Caps” in the “Letter from the Board” in this Circular
“RMB”	Renminbi, the lawful currency of Mainland China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	share(s) in the capital of the Company
“Shareholders”	shareholders of the Company
“Special General Meeting”	the special general meeting of the Company to be held on Wednesday, 30 May 2018 to consider and, if thought fit, to approve the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits 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 2018 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 2018 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 ease of reference, the names of the PRC established companies or entities, have generally been included in this Circular in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*



**越秀交通基建有限公司**  
**Yuexiu Transport Infrastructure Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01052)**

*Executive Directors:*

Zhu Chunxiu (*Chairman*)  
He Baiqing  
Li Feng  
Chen Jing

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Independent Non-Executive Directors:*

Fung Ka Pun  
Lau Hon Chuen Ambrose  
Cheung Doi Shu

*Head office and principal  
place of business:*

23rd Floor, Yue Xiu Building  
160 Lockhart Road  
Wanchai  
Hong Kong

14 May 2018

*To the Shareholder(s)*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO BANK DEPOSITS;  
(2) NOTICE OF SPECIAL GENERAL MEETING; AND  
(3) CLOSURE OF REGISTER OF MEMBERS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 28 December 2016 (the “**2016 Announcement**”) and the Announcement in relation to, amongst others, the continuing connected transactions of the Company in relation to the Bank Deposits. With a view to increasing the annual caps in relation to the Bank Deposits, on 2 May 2018, the Company entered into the 2018 Bank Deposits Agreement with CHB.

The purpose of this Circular is to provide you with, among other things: (i) further information regarding the Transactions; (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; (iv) other information as required by the Listing Rules; and (v) the notice of the Special General Meeting.

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## LETTER FROM THE BOARD

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### CONTINUING CONNECTED TRANSACTIONS IN RELATION TO BANK DEPOSITS

#### *Background*

As disclosed in the 2016 Announcement, the Company entered into the 2016 Bank Deposits Agreement with CHB on 28 December 2016. The Original Bank Deposits Annual Caps for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019 are reproduced in the section headed “Revised Bank Deposits Annual Caps” below. As the Company would like to expand the size of its Bank Deposits with the CHB Group for the reasons set out in the section headed “Reasons for and Benefits of the Transactions” below, the Company entered into the 2018 Bank Deposits Agreement with CHB on 2 May 2018 for the purpose of increasing the annual caps in respect of the Bank Deposits for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020.

Upon the approval by the Independent Shareholders at the Special General Meeting, the 2018 Bank Deposits Agreement will replace and supersede the 2016 Bank Deposits Agreement with effect from the Effective Date.

Pursuant to the 2018 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 2018 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 similar 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 2018 Bank Deposits Agreement shall commence on the Effective Date and shall continue up to and including 31 December 2020. Subject to compliance with the Listing Rules, the 2018 Bank Deposits Agreement may be renewed by the Company and CHB by agreement in writing.

#### *Conditions Precedent*

The 2018 Bank Deposits Agreement is conditional upon the approval by the Independent Shareholders on the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) at the Special General Meeting. If the above condition is not fulfilled on or before the Effective Date or such later date as agreed between the Company and CHB, the 2018 Bank Deposits Agreement shall terminate with immediate effect without liability on either party.

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## LETTER FROM THE BOARD

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### *Pricing Policy*

The 2018 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 or obtained from the other 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 published by the PBOC and interest rates and other terms offered by or obtained from the other banks in Mainland China to the Group.

The Group will also take into account other factors, including among others, quality of services, safety of deposits, bank reputation and cooperation history when deposits are placed with the banks.

In order to ensure that the interest rates and other terms of the Bank Deposits (both saving and time deposits) are on normal commercial terms and no less favourable to the Group, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account the above other factors and make the selection decision in accordance with the Listing Rules.

Standard Documentation, in such form acceptable to the CHB Group and the Group, may further be entered into between the relevant members of the Group and the CHB Group in order to give effect to, or facilitate, the Transactions.

### *Historical Amounts*

The historical aggregate balance of the Bank Deposits placed by the Group with the CHB Group as at the end of each of the years ended 31 December 2016 and 31 December 2017, and the period of the three months ended 31 March 2018, and the maximum daily outstanding balance of the Bank Deposits placed by the Group with the CHB Group on any given day during each of the years ended 31 December 2016 and 31 December 2017 and the period for the three months ended 31 March 2018 were as follows:

	<b>For the year ended 31 December 2016</b>	<b>For the year ended 31 December 2017</b>	<b>For the three months ended 31 March 2018</b>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
<i>Aggregate balance of the Bank Deposits as at the year/period end</i>	RMB165,535,000	RMB231,241,000	RMB236,058,000
<i>Maximum daily outstanding balance of the Bank Deposits on any given day during the year/period</i>	RMB165,535,000	RMB244,504,000	RMB237,226,000



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the aggregate balance of the Bank Deposits was RMB120,548,000.

### *Revised Bank Deposits Annual Caps*

Under the 2016 Bank Deposits Agreement, the aggregate maximum balance of the Bank Deposits on any given day was not exceeding RMB260 million, for each of the three years ending 31 December 2017, 2018 and 2019, respectively (the “**Original Bank Deposits Annual Caps**”).

Pursuant to the 2018 Bank Deposits Agreement, such aggregate maximum balance of the Bank Deposits on any given day shall increase to amounts not exceeding RMB800 million, RMB1.2 billion and RMB1.5 billion for the years ending 31 December 2018, 2019 and 2020, respectively (the “**Revised Bank Deposits Annual Caps**”).

In determining the Revised Bank Deposits Annual Caps, the Directors (excluding Mr ZHU Chunxiu and Mr LI Feng, the executive Directors who are regarded as having a material interest in the Transactions and have abstained from voting on the relevant board resolutions of the Company) have taken into consideration the following:

Since 2017, the Group has continued to strengthen its overall cash flow management and further optimize its debt structure in order to enhance the Group’s entire financial and liquidity risk management and control. Mainly due to (i) the optimization and increase in bank borrowings (by securing additional new loan facilities from banks) to satisfy the Group’s working capital needs and to prepare for the redemption of its Euro 200,000,000 (equivalent to approximately RMB1.51 billion) 1.625% guaranteed notes due 2018 and its business expansion; and (ii) increase in operating cash inflow (generated mainly from an increase in revenue from the Group’s ordinary business of toll operations, as disclosed in the Company’s annual report for the year ended 31 December 2017), the level of cash and cash equivalents of the Group has increased from approximately RMB1.05 billion as at 31 December 2016 to approximately RMB2.96 billion as at 31 December 2017 (which was around three (3) times compared with 2016) and further to approximately RMB4.19 billion as at 31 March 2018 (which was around four (4) times compared with 2016). As the Group’s business and scale of operation continue to grow, it is expected that the level of its cash and cash equivalents will continue to increase and so will its overall deposits needs.

Given the substantial increase in its level of cash and cash equivalents in 2017, the Group has been placing a significant amount of its deposits with certain major banks (the “**Existing Major Bank(s)**”) (based on records available to the Company, the aggregate balance of the bank deposits placed by the Group with two Existing Major Banks as at 31 December 2017 were approximately RMB762 million and RMB685 million respectively, and the level of such deposits is expected to further increase in 2018). The Group, on the other hand, has not been in a position to place such a significant amount of deposits with CHB given the limit of the Original Bank Deposits Annual Caps (in the maximum amount of only RMB260 million). The Board considers that, from a strategic standpoint, it would be in the interests of the Company to adopt the Revised Bank Deposit Annual Caps and further its relationship with CHB so that CHB will also become a major banker of the Group.

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## LETTER FROM THE BOARD

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- i. *If CHB also becomes a major banker of the Group, the Group may benefit from more competition among CHB and the Existing Major Banks and a lower concentration risk in the longer run*

CHB is keen to further its relationship with the Company, and it is prepared to offer the best interest rates and other terms to the Group which are no less favourable than the interest rates and other terms that the CHB Group will offer to its other independent customers of similar scale and size for bank deposits of comparable tenure and amount at or about the time of placement, subject to the prevailing market conditions. The Board considers that, from a strategic standpoint, it would be in the interest of the Company to take this opportunity to further its relationship with CHB so that CHB will become another major banker of the Group.

The Board believes that if CHB also becomes a major banker of the Group, more competition might develop among CHB and the Existing Major Banks, and that might ultimately result in better deposit rates (or other terms) being offered to the Group by any of the banks.

By way of illustration, with the limit of the Original Bank Deposits Annual Caps, the maximum amount of deposits that may be placed by the Group with the CHB Group would be limited to RMB260 million, meaning the CHB Group would not be in a position to compete with the Existing Major Banks for any deposits above such amount. However, once the Revised Bank Deposit Annual Caps are approved, the CHB Group would be in a position to compete with the Existing Major Banks for the Group's deposits up to the amount of such caps, and the Existing Major Banks might need to consider offering even better deposit rates (or other terms) to the Group so as not to lose deposits from the Group to the CHB Group.

In the longer run, this type of healthy competition among the major bankers of the Group could work both ways, the net result of which would be potentially overall better deposit rates (or other terms) for the Group. By way of further illustration, assuming a deposit amount of RMB10 billion, should the competition among the major bankers do result in a higher average deposit rate to the Group, for every 10 basis point of such an increase, the Group would receive RMB10 million more of deposit interests per year.

The Board also believes that in the longer run, the addition of one more major banker for the Group may help to lower concentration risk.

- ii. *Subject always to its Internal Control Procedures, the Group may significantly increase the amount of deposits placed with the CHB Group*

From time to time, the Company will go through its Internal Control Procedures before deciding to place deposits with the CHB Group. Likewise, CHB also has the discretion to decide whether or not to offer quotations to the Group, for example, in respect of deposits which do not align with CHB's business demands and strategies at the time. Once it is shown, pursuant to the Internal Control Procedures, that the terms offered by the CHB Group are no less favourable than those offered by the other banks, the Group may significantly increase the total amount of deposits that it places with the CHB Group. It is expected that, subject always to its Internal Control Procedures, the amount of deposits placed by the Group with the CHB Group could reach a level close to the amount of deposits placed by the Group with its Existing Major Banks (i.e. the aggregate balance of approximately RMB762 million and RMB685 million respectively of the bank deposits with two Existing Major

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## LETTER FROM THE BOARD

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Banks as at 31 December 2017, and further increasing as the Group's business and scale of operation continue to grow). In such event, the Original Bank Deposits Annual Caps in the amount of only RMB260 million would be entirely insufficient. The Revised Bank Deposits Annual Caps, on the other hand, would provide room for the Group to place a significantly higher amount of deposits with the CHB Group, subject always to its Internal Control Procedures, and thereby develop a major banker relationship with CHB, which (as discussed in paragraph i above) would benefit the Company in the longer run.

### INTERNAL CONTROL PROCEDURES

In order to ensure that the pricing mechanism and terms of the Transactions under the 2018 Bank Deposits Agreement are fair and reasonable and no less favourable than the terms provided by any Independent Third Party to the Group, the Group has established and has been continually implementing a series of internal control procedures and external supervision measures as follows:

- 1) The Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. Each time before placing any Bank Deposits, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account a number of other factors and make the selection decision in accordance with the Listing Rules.
- 2) The Group will monitor the maximum daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do not exceed the Revised Bank Deposits Annual Caps.
- 3) The Group will prepare a continuing connected transaction report ("**CCT 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 content of the CCT Report includes, amongst others: (i) the aggregate balance and maximum daily outstanding balance of the Bank Deposits; (ii) a summary and comparison of the interest rates of the Bank Deposits with the CHB Group and the other independent banks during the relevant reporting period; and (iii) the status of compliance with the Revised Bank Deposits Annual Caps and utilization of the Revised Bank Deposits Annual Caps.
- 4) The Group's audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits).

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## LETTER FROM THE BOARD

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- 5) The external auditors of the Group will conduct a review of the interim financial information of the Group for six months ending 30 June of each financial year, and an audit of the consolidated financial statements of the Group for each financial year. The external auditors of the Group will also issue a letter to the Board in relation to the continuing connected transactions of the Group for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions (which include, among others, the Bank Deposits):
- (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 relevant agreement governing the transactions; and
  - (iv) have exceeded the relevant cap (which, in the case of the Bank Deposits, is the Revised Bank Deposits Annual Caps).
- 6) In addition, according to the Listing Rules, the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Group (which include, among others, the Bank Deposits) throughout the preceding financial year and give confirmation on the transaction amounts and terms of the transactions in each annual report of the Group.

In view of the above, the Company considers that there are adequate internal control procedures and external supervision measures to ensure that the Transactions will comply with the relevant regulatory guidelines and the terms of the 2018 Bank Deposits Agreement.

### **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. As part of its treasury management, the Group would monitor and take steps to manage its cash balance from time to time, taking into consideration, among others, the Company's dividend policy, working capital, business expansion and debt management needs. Placing of cash as deposits in banks is one of the different options that may be adopted by the Company from time to time. The Group has to maintain deposits and other bank balances with financial institutions in Hong Kong and Mainland China in order to satisfy its business needs (including working capital, business expansion and debt management needs) in the ordinary and usual course of business.

CHB, as one of the most reputable and long-established authorized institutions in Hong Kong, is able to provide different banking and related services in support of the Group's business and treasury activities in the long term. As CHB maintains a positive liquidity profile, the Bank Deposits maintained by the Group with the CHB Group are unlikely to experience any delay in encashment. Moreover, as discussed in the section headed "Continuing Connected Transactions in relation to Bank

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## LETTER FROM THE BOARD

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Deposits — Revised Bank Deposits Annual Caps”, the Board considers that, from a long-term strategic standpoint, it would be in the interests of the Company to adopt the Revised Bank Deposits Annual Caps and to further its relationship with CHB so that CHB will also become a major banker of the Group. The Board believes that if CHB also becomes a major banker of the Group, more competition may develop among CHB and the Existing Major Banks, and that may ultimately result in better deposit interest rates (or other terms) being offered to the Group by any of the banks. In order to do so, it is necessary to adopt the Revised Bank Deposits Annual Caps pursuant to the 2018 Bank Deposits Agreement.

Further, the Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. There is no restriction under the 2018 Bank Deposits Agreement on the Group’s ability to source the services from other banks and the Group is at its sole discretion to make its selection according to the relevant rates being offered and quality of services being delivered by the banks.

The Group will take appropriate steps to ensure that: (1) there will be sufficient comparable market data for interest rate quotes available for the same term of deposit in the same period and the interest rate offered by the CHB Group; and (2) that the terms of the 2018 Bank Deposits Agreement would be no less favourable than the terms offered by other independent banks to the Group.

For the above reasons and the reasons set out under the section headed “Continuing Connected Transactions in relation to Bank Deposits — Revised Bank Deposits Annual Caps”, the Directors (excluding Mr ZHU Chunxiu and Mr LI Feng, the executive Directors who are regarded as having a material interest in the Transactions and have abstained from voting on the relevant board resolutions of the Company) are of the view that the 2018 Bank Deposits Agreement has been entered into on normal commercial terms or better and in the ordinary and usual course of the Group’s business, and that the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### LISTING RULES IMPLICATIONS

As CHB is a subsidiary of YXE, the controlling shareholder of the Company, CHB is a connected person of the Company. The Bank Deposits maintained by the Group with the CHB Group therefore constitute continuing connected transactions of the Company. As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Bank Deposits Annual Caps under the 2018 Bank Deposits Agreement exceed 5% but are 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 ZHU Chunxiu and Mr LI Feng, the executive Directors, are also serving as directors of CHB, the Company is of the view that Mr ZHU Chunxiu and Mr LI Feng are regarded as having a material interest in the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps). As such, Mr ZHU Chunxiu and Mr LI Feng have abstained from voting on the relevant board resolutions of the Company. Save as disclosed above, no other Directors had a material interest in the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) and no other Director has abstained from voting on the relevant board resolutions of the Company.

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## LETTER FROM THE BOARD

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### 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 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps).

Somerley 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 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps).

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018 (both days inclusive), during which no transfer of Shares will be effected, to determine the eligibility of the Shareholders to participate in the Special General Meeting. For Shareholders not already on the register of members of the Company, in order to qualify to attend and vote at the Special General Meeting, all transfer(s) of Share(s) (together with the relevant Share certificate(s)) must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Thursday, 24 May 2018.

### SPECIAL GENERAL MEETING

The Special General Meeting will be held at 11:00 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened to be held at 10:30 a.m. on the same date and at the same place) on Wednesday, 30 May 2018 at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the resolutions set out in the notice of the Special General Meeting, which is set out on pages 31 to 32 of this Circular. Whether or not you are able or intend to attend and vote at the Special General Meeting in person, you are requested to complete and return

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## LETTER FROM THE BOARD

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the enclosed form of proxy to the Company's Hong Kong branch share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy will be deemed to be revoked.

The voting in respect of the resolutions to be proposed at the Special General Meeting will be conducted by way of a poll.

YXE and its associates will abstain from voting at the Special General Meeting in respect of the proposed resolutions to approve the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits 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 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits 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.

You can vote at the Special General Meeting if you are an Independent Shareholder on Wednesday, 30 May 2018, which is referred to in this Circular as the record date. You will find enclosed with this Circular the notice of the Special General Meeting (please refer to pages 31 to 32 in this Circular) and a form of proxy for use for the Special General Meeting.

### VOTING BY POLL

All the resolutions set out in the notice of the Special General Meeting would be decided by poll in accordance with the Listing Rules and the Bye-laws of the Company. On a poll, every Independent Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid Share held. An Independent Shareholder present in person (or, in the case of an Independent Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all of his/her/its votes or cast all of his/her/its votes in the same way. After the conclusion of the Special General Meeting, the poll results will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <http://www.yuexiutransportinfrastructure.com>.

### RECOMMENDATION

The Directors (excluding Mr ZHU Chunxiu and Mr LI Feng, the executive Directors who are regarded as having a material interest in the Transactions and have abstained from voting on the relevant board resolutions of the Company) are of the view that the 2018 Bank Deposits Agreement has been entered into on normal commercial terms or better and in the ordinary and usual course of the Group's business, and that the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) are fair and reasonable and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors (excluding Mr ZHU Chunxiu and Mr LI Feng, the

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## LETTER FROM THE BOARD

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executive Directors who are regarded as having a material interest in the Transactions and who have abstained from voting on the relevant board resolutions of the Company) recommend all Independent Shareholders to vote in favour of the relevant resolution in relation thereof to be proposed at the Special General Meeting.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Circular.

**Shareholders and potential investors of the Company should be aware that the Transactions are subject to certain conditions being satisfied, therefore the Transactions may or may not proceed. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

Yours faithfully,  
For and on behalf of the board of directors of  
**Yuexiu Transport Infrastructure Limited**  
**YU Tat Fung**  
*Company Secretary*





**越秀交通基建有限公司**  
**Yuexiu Transport Infrastructure Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01052)**

14 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular issued by the Company to its shareholders dated 14 May 2018 (the “Circular”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the terms of the Transactions, details of which are set out in the letter from the Board contained in the Circular. Somerley Capital Limited has been appointed to advise the Independent Shareholders and us in respect of the terms of the Transactions. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 16 to 24 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps), the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the terms of the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolution to be proposed at the Special General Meeting to approve the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps).

Yours faithfully,  
Independent Board Committee of  
**Yuexiu Transport Infrastructure Limited**  
**Fung Ka Pun**  
**Lau Hon Chuen, Ambrose**  
**Cheung Doi Shu**  
*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**

20th Floor

China Building

29 Queen's Road Central

Hong Kong

14 May 2018

*To: The Independent Board Committee and the Independent Shareholders of  
Yuexiu Transport Infrastructure Limited*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and Independent Shareholders in connection with the entering into of the master agreement between the Company and CHB in relation to deposits maintained by the Group with the CHB Group, the transactions contemplated thereunder and the Revised Bank Deposits Annual Caps. Details of the 2018 Bank Deposits Agreement and Bank Deposits are contained in the circular to the Shareholders dated 14 May 2018 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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 applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Bank Deposits Annual Caps under the 2018 Bank Deposits Agreement exceed 5% but are below 25%, the Transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

YXE and its associates will abstain from voting at the Special General Meeting in respect of the proposed resolutions to approve the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits 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 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps), therefore no other Shareholder would be required to abstain from voting on the relevant resolution to be proposed at the Special General Meeting.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company has established an Independent Board Committee comprising the three independent non-executive Directors of the Company, namely Mr. Fung Ka Pun, Mr. Lau Hon Chuen Ambrose and Mr. Cheung Doi Shu, to advise the Independent Shareholders on the terms of the 2018 Bank Deposits Agreement and the Transactions contemplated thereunder and the Revised Bank Deposits Annual Caps, and to recommend to the Independent Shareholders how to vote in the Special General Meeting. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated with the Company, YXE, their respective substantial shareholders or associates, and accordingly, are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any other fees or benefits from the Company, YXE, their substantial shareholders or associates.

During the past two years, Somerley Capital Limited acted as the independent financial adviser and issued an opinion letter contained in Yuexiu Real Estate Investment Trust's circular dated 15 November 2017 regarding discloseable and connected party transactions relating to the acquisition of 67% of a commercial property in Wuhan, and certain continuing connected transactions. This past engagement was limited to providing independent advisory services to the independent board committee of Yuexiu REIT Asset Management Limited and independent unitholders of Yuexiu Real Estate Investment Trust pursuant to the Listing Rules and Code on Real Estate Investment Trusts. Under this past engagement, Somerley Capital Limited received normal professional fees from Yuexiu REIT Asset Management Limited. Notwithstanding the past engagement, as at the Latest Practicable Date, there were no relationships or interests between Somerley Capital Limited on one hand and the Company, YXE, and their respective substantial shareholders and/or associates on the other hand that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Transactions.

In formulating our opinion and recommendation, we have reviewed, among other things, the 2016 Bank Deposits Agreement and 2018 Bank Deposits Agreement, the annual report of the Company for year ended 31 December 2017 (the "**2017 Annual Report**") and the information set out in the Circular. We have also discussed with the management of the Group regarding the businesses of and the commercial implications of the Transactions on the Group.

In addition, we have relied on the information and facts supplied, and the opinions and intention expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete and will remain true, accurate and complete up to the time of the Special General Meeting. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group.

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

### 1. Information on the Group

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.

### 2. Information on 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.

### 3. Reasons for and benefits of the Transactions

As stated in the letter from the Board, as part of its treasury measurement, the Group would monitor and take steps to manage its cash balance from time to time, taking into consideration, among others, the Company's dividend policy, working capital, business expansion and debt management needs. Placing of cash as deposits in banks is one of the different options that may be adopted by the Company from time to time. The Group has to maintain deposits and other bank balances with financial institutions in Hong Kong and Mainland China in order to satisfy its business needs (including working capital, business expansion and debt management needs) in the ordinary and usual course of business.

CHB, as one of the most reputable and long-established authorized institutions in Hong Kong, is able to provide different banking and related services in support of the Group's business and treasury activities in the long term. As CHB maintains a positive liquidity profile, the Bank Deposits maintained by the Group with the CHB Group are unlikely to experience any delay in encashment. Moreover, the Board considers that, from a long-term strategic standpoint, it would be in the interests of the Company to adopt the Revised Bank Deposits Annual Caps and to further its relationship with CHB so that CHB will also become another major banker of the Group. The Board believes that if CHB also becomes a major banker of the Group, more competition may develop among CHB and the Existing Major Banks, and that may ultimately result in better deposit interest rates (or other terms) being offered to the Group by any of the banks. In order to do so, it is necessary to adopt the Revised Bank Deposits Annual Caps pursuant to the 2018 Bank Deposits Agreement.

Further, the Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. There is no restriction under the 2018 Bank Deposits Agreement on the Group's ability to source the services from other banks and the Group is at its sole discretion to make its selection according to the relevant rates being offered and quality of services being delivered by the banks.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group will take appropriate steps to ensure that: (1) there will be sufficient comparable market data for interest rate quotes available for the same term of deposit in the same period and the interest rate offered by the CHB Group; and (2) that the terms of the 2018 Bank Deposits Agreement would be no less favourable than the terms offered by other independent banks to the Group.

As at 31 December 2017, the Group's short-term bank deposits, cash and cash equivalents amounted to RMB2.96 billion, as compared to RMB1.05 billion as at 31 December 2016, representing a year-on-year growth of 182%. Based on the samples of deposit agreements entered into by the Group and deposit interest receipts for bank deposits placed by the Group in 2017 and the first quarter of 2018, it is noted that terms offered by CHB were no less favourable than and sometimes compared favourably with those by independent banks. In view of the increasing positive cashflow from the operations of the Group and optimisation of debt structure and the favourable terms sometimes offered by CHB, the entering into of the 2018 Bank Deposits Agreement, which is on a voluntary and non-exclusive basis, and the adoption of Revised Bank Deposits Annual Caps would allow flexibility to the Group's overall cashflow management and help secure the best terms from the banks (including CHB) from time to time.

Based on the above, we concur with the Directors' view that the 2018 Bank Deposits Agreement has been entered into in the ordinary and usual course of the Group's business and is in the interests of the Company and its shareholders as a whole.

#### **4. Principal terms of the 2018 Bank Deposits Agreement**

As disclosed in the 2016 Announcement, the Company entered into the 2016 Bank Deposits Agreement with CHB on 28 December 2016. The Original Bank Deposits Annual Caps for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019 were as disclosed in the 2016 Announcement. Based on the reasons set out in the section headed "3. Reasons for and benefits of the Transactions" above, the Company entered into the 2018 Bank Deposits Agreement with CHB on 2 May 2018 for the purpose of increasing the annual caps in respect of the Bank Deposits for the three years ending 31 December 2020. Subject to the approval by the Independent Shareholders, the term of the 2018 Bank Deposits Agreement shall commence on the Effective Date.

Pursuant to the 2018 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 2018 Bank Deposits Agreement, and the placing and maintenance of any Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers similar to the Group from time to time.

The 2018 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 or obtained from the other 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 published by the PBOC and interest rates and other terms offered by or obtained from the other banks in Mainland China to the Group.

The Group will also take into account other factors, including among others, quality of services, safety of deposits, bank reputation and cooperation history when deposits are placed with the banks.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to ensure that the interest rates and other terms of the Bank Deposits (both saving and time deposits) are on normal commercial terms and no less favourable to the Group, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account the above other factors and make the selection decision in accordance with the Listing Rules.

Standard Documentation, in such form acceptable to the CHB Group and the Group, may further be entered into between the relevant members of the Group and the CHB Group in order to give effect to, or facilitate, the Transactions.

We have reviewed the 2016 Bank Deposits Agreement and the 2018 Bank Deposits Agreement and noted that the terms of the two agreements are substantially the same. We have also reviewed samples of (i) deposit agreements entered into between the Group on one hand and CHB or other independent banks on the other hand; and (ii) deposit interest receipts for bank deposits placed with CHB and other independent banks in 2017 and the first quarter of 2018, and noted that the interest rates offered for Bank Deposits with CHB is no less favourable than those offered by other independent banks.

In view of the above and having also considered (i) the terms of the 2018 Bank Deposits Agreement are substantially the same as the 2016 Bank Deposits Agreement; and (ii) the internal control procedures in place to monitor the transactions under the 2018 Bank Deposits Agreement as set out in the section headed “5. Internal Control Procedures” below, we consider the terms of the 2018 Bank Deposits Agreement are on normal commercial terms and fair and reasonable as far as the Company and the Independent Shareholders are concerned.

### **5. Internal Control Procedures**

In order to ensure that the pricing mechanism and terms of the Transactions under the 2018 Bank Deposits Agreement are fair and reasonable and no less favourable than the terms provided by any Independent Third Party to the Group, the Group has established and has been continually implementing a series of internal control procedures and external supervision measures as follows:

- 1) The Bank Deposits will be placed with the CHB Group by the Group on a voluntary and non-exclusive basis. Each time before placing any Bank Deposits, the Group will obtain quotations from at least two other independent banks. The Group will then compare the quotations offered by the respective banks, conduct assessment by taking into account a number of other factors and make the selection decision in accordance with the Listing Rules.
- 2) The Group will monitor the maximum daily outstanding balance of the Bank Deposits on a daily basis to ensure that the aggregate balance of Bank Deposits do not exceed the Revised Bank Deposits Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- 3) The Group will prepare a continuing connected transaction report (“**CCT 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 content of the CCT Report includes, amongst others: (i) the aggregate balance and maximum daily outstanding balance of the Bank Deposits; (ii) a summary and comparison of the interest rates of the Bank Deposits with the CHB Group and the other independent banks during the relevant reporting period; and (iii) the status of compliance with the Revised Bank Deposits Annual Caps and utilization of the Revised Bank Deposits Annual Caps.
- 4) The Group’s audit committee will convene meetings at least twice a year to discuss and assess the implementation of the continuing connected transactions of the Group (which include, among others, the Bank Deposits).
- 5) The external auditors of the Group will conduct a review of the interim financial information of the Group for six months ending 30 June of each financial year, and an audit of the consolidated financial statements of the Group for each financial year. The external auditors of the Group will also issue a letter to the Board in relation to the continuing connected transactions of the Group for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions (which include, among others, the Bank Deposits):
  - (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 relevant agreement governing the transactions; and
  - (iv) have exceeded the relevant cap (which, in the case of the Bank Deposits, is the Revised Bank Deposits Annual Caps).
- 6) In addition, according to the Listing Rules, the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Group (which include, among others, the Bank Deposits) throughout the preceding financial year and give confirmation on the transaction amounts and terms of the transactions in each annual report of the Group.

We have reviewed samples of quotation documents and records maintained by the Group in 2017, and noted that the Group has obtained quotations for deposit rates offered by at least two independent banks and compared them with that offered by CHB before placing any Bank Deposits, which is in line with the item (1) of the internal control procedures as stated above and has ensured that the interest rates for Bank Deposits placed with CHB are no less favourable than those provided by any Independent Third Party.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the above, we concur with the Company's view that there are adequate internal control procedures and external supervision measures to ensure that the Transactions will comply with the relevant regulatory guidelines and the terms of the 2018 Bank Deposits Agreement.

### 6. Revised Bank Deposits Annual Caps

Set out below are the Revised Bank Deposits Annual Caps for each of the three years ending 31 December 2018, 2019 and 2020:

	For the financial year ending		
	31 December		
	2018	2019	2020
Aggregate maximum balance of the Bank Deposits	RMB800 million	RMB1,200 million	RMB1,500 million

We have discussed with the management of the Group the main factors considered and basis of determining the Revised Bank Deposits Annual Caps, which are set out as follows:

*(i) Cash balances of the Group*

As stated in the letter from the Board, since 2017, the Group has continued to strengthen its overall cash flow management and further optimize its debt structure in order to enhance the Group's entire financial and liquidity risk management and control. Mainly due to (i) the optimization and increase in bank borrowings (by securing additional new loan facilities from banks) to satisfy the Group's working capital needs and to prepare for the redemption of its Euro 200,000,000 (equivalent to approximately RMB1.51 billion) 1.625% guaranteed notes due 2018 and its business expansion; and (ii) increase in operating cash inflow (generated mainly from an increase in revenue from the Group's ordinary business of toll operations, as disclosed in the 2017 Annual Report), the level of cash and cash equivalents of the Group has increased from approximately RMB1.05 billion as at 31 December 2016 by 182% to approximately RMB2.96 billion as at 31 December 2017, then further by 42% to approximately RMB4.19 billion as at 31 March 2018 (which was around four (4) times compared with 2016). As the Group's business and scale of operation continue to grow, it is expected that the level of its cash and cash equivalents will continue to increase and so will its overall deposits needs.

*(ii) Historical deposit balances with Existing Major Banks and CHB*

As stated in the letter from the Board, given the substantial increase in its level of cash and cash equivalents in 2017, the Group has been placing a significant amount of its deposits with certain major banks (the "Existing Major Bank(s)") (based on records available to the Company, the aggregate balance of the bank deposits placed by the Group with two Existing Major Banks (which are independent third parties) as at 31 December 2017 were approximately RMB762 million and RMB685 million respectively, and the level of such deposits is expected



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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to further increase in 2018). Subject to the limit of the Original Bank Deposits Annual Caps (in the amount of only RMB260 million for 2016-2018), the Bank Deposits for the two years ended 31 December 2016 and 2017 and the three months ended 31 March 2018 have been significantly less than those with the two Existing Major Banks, details of which are set out as follows:

	<b>For the financial year ended 31 December</b>		<b>For the three months ended 31 March</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Aggregate balance of the Bank Deposits as at the year/period end	RMB165.5 million	RMB231.2 million	RMB236.1 million
Maximum daily outstanding balance of the Bank Deposits on any given day during the year/period	RMB165.5 million	RMB244.5 million	RMB237.2 million

As at the Latest Practicable Date, the aggregate balance of the Bank Deposits was approximately RMB120.5 million.

As shown in the above table, the Bank Deposits have been increasing over the last two years with a year-on-year increase of 47.7% in 2017 and reaching RMB237.2 million in the first quarter of 2018, which is getting closer to the Original Bank Deposits Annual Caps of RMB260 million. In view of the increasing cash level of the Group, we are of the view that it is reasonable to make an adjustment to the Original Bank Deposits Annual Caps to cater for the Group's deposits needs.

*(iii) Basis of the Revised Bank Deposits Annual Caps*

As stated in the letter from the Board, the Board considers that, from a strategic standpoint, it would be in the interests of the Company to adopt the Revised Bank Deposit Annual Caps and further its relationship with CHB so that CHB will become another major banker of the Group. The Board believes that if CHB also becomes a major banker of the Group, more competition might develop among CHB and the Existing Major Banks, and that might ultimately result in better deposit rates (or other terms) being offered to the Group by any of the banks, and it would also help to lower any concentration risk that may arise if the Group is to continue to place reliance on the Existing Major Banks.

In view of the above factors, the aggregate maximum balance of the Bank Deposits has been increased from RMB260 million under the Original Bank Deposits Annual Caps to RMB800 million for the year ending 31 December 2018 under the Revised Bank Deposits Annual Caps, which is generally in line with the aggregate balance of the bank deposits placed by the Group with the two Existing Major Banks as at 31 December 2017 of approximately RMB762 million and RMB685 million respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Revised Bank Deposits Annual Caps for the two years ending 31 December 2019 and 2020 of RMB1.2 billion and RMB1.5 billion increased year-on-year by 50% and 25% respectively, which are considered reasonable in view of the historical growth rates of the cash balance of the Group of 182% year-on-year in 2017 and 42% in the first quarter of 2018 as compared to the cash balance as at 31 December 2017 as set out above, as the level of cash and cash equivalents and overall deposits needs of the Group are expected to increase as a result of the optimization and increase in bank borrowings together with the increase in operating cash inflow.

Having considered the above and also the internal control procedures in place to monitor the transactions under the 2018 Bank Deposits Agreement as set out in the section headed “5. Internal Control Procedures” above, we consider the basis for determining the Revised Bank Deposits Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

### OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of the 2018 Bank Deposits Agreement and the transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the Special General Meeting to approve the Transactions.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Jenny Leung**  
*Director*

*Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interest of Directors/ chief executive of the Company

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive (if any) of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) were as follows:

#### *Long positions in the Shares and underlying Shares*

Name of Director	Capacity in which interests are held	Number of Shares	% of the issued share capital of the Company as at the Latest Practicable Date
Mr He Baiqing	Personal	52,000	0.003
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012

*Long positions in the shares and underlying shares of associated corporation*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity in which interests are held</b>	<b>Number of shares in associated corporation</b>	<b>% of the issued share capital of associated corporation as at the Latest Practicable Date</b>
Mr Li Feng	Yuexiu Property Company Limited	Personal	172,900	0.001
Mr Fung Ka Pun	Yuexiu Property Company Limited	Personal	1,689,100	0.014
Mr Lau Hon Chuen Ambrose	Yuexiu Property Company Limited	Personal	4,841,200	0.039

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive (if any) of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive (if any) of the Company, companies and/or persons who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

<b>Name</b>	<b>Capacity in holding interest</b>	<b>Long/Short position/ Lending pool</b>	<b>Approximate % of shareholding in shares</b>	<b>Number of shares held</b>
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interest of controlled corporations	Long position	59.05	987,957,242
	Interest of controlled corporations	Short position	14.85	248,431,078
YXE (Notes 1 & 2)	Beneficial owner and interest of controlled corporations	Long position	59.05	987,957,242
	Interest of controlled corporations	Short position	14.85	248,431,078
Grace Lord Group Limited (Note 2)	Beneficial owner	Long position	32.97	551,590,129
First Dynamic Limited (Note 3)	Interest of controlled corporation	Long position	21.96	367,500,000
Housemaster Holdings Limited (Notes 2 & 3)	Beneficial owner	Long position	21.96	367,500,000
Matthews International Capital Management, LLC	Investment manager	Long position	6.98	116,934,000
JP Morgan Chase & Co. (Note 4)	Beneficial owner	Long position	0.70	11,777,593
	Beneficial owner	Short position	0.06	1,132,000
	Investment manager	Long position	6.01	100,483,329
	Custodian corporation/ approved lending agent	Long position	1.30	21,776,000

*Notes:*

- (1) The entire issued shares of YXE is owned by 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited). By virtue of the SFO, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in the interest of YXE in the shares of the Company as described in note (2) below.

- (2) YXE was interested in an aggregate of 987,957,242 shares of the Company (long position) of which 8,653 shares were held by it as beneficial owner. By virtue of the SFO, YXE is also deemed to be interested in the balance of 987,948,589 shares (long position) through its wholly-owned subsidiaries, namely, Housemaster Holdings Limited, Grace Lord Group Limited, Greenwood Pacific Limited, Yue Xiu Finance Company Limited and Dragon Year Industries Limited. YXE's interest in short position was held through its wholly-owned subsidiary, namely Asia View Limited.
- (3) First Dynamic Limited, a wholly-owned subsidiary of YXE, owned the entire issued share capital of Housemaster Holdings Limited. By virtue of the SFO, First Dynamic Limited was deemed to be interested in the 367,500,000 shares of the Company held by Housemaster Holdings Limited.
- (4) According to the corporate substantial shareholder notice filed by JP Morgan Chase & Co., 26,848,814 shares out of its interest in the Shares were long position in unlisted derivative interests (physically settled); and 1,066,000 shares out of its interest in the Shares were short position in unlisted derivative interests (physically settled).

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of the Company or any options in respect of such capital.

As at the Latest Practicable Date, (i) Mr Zhu Chunxiu, a Director, was also a director of each of 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited), YXE, Grace Lord Group Limited, First Dynamic Limited and Housemaster Holdings Limited; (ii) Mr Li Feng, a Director, was also a director of each of Grace Lord Group Limited, First Dynamic Limited and Housemaster Holdings Limited; and (iii) Ms Chen Jing, a Director, was also a director of each of Grace Lord Group Limited, First Dynamic Limited and Housemaster Holdings Limited. Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had an interest in the Shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors (including the Directors who are proposed to retire and be subject to re-election at the upcoming 2018 annual general meeting of the Company) had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

#### 4. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

##### Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

##### Interests in contracts

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

#### 5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

#### 6. MATERIAL ADVERSE CHANGE

The Directors confirm that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Group were made up to, up to and including the Latest Practicable Date.

#### 7. EXPERT'S QUALIFICATIONS AND CONSENT

The following are qualifications of the expert who has given its opinion or advice which is included in this Circular:

<b>Name</b>	<b>Qualification</b>
Somerley Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley Capital Limited does not have any shareholding, directly or indirectly, in any member of the Group, nor did any of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

Somerley Capital Limited has given its written consent and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letters and/or reports and/or references to its name in the form and context in which they respectively appear.

#### **8. DOCUMENTS FOR INSPECTION**

Copy of the 2018 Bank Deposits Agreement will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 23rd Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong from the date of this Circular up to and including the date of the Special General Meeting.

#### **9. MISCELLANEOUS**

The English texts of this Circular shall prevail over the Chinese texts.



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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** a special general meeting of Yuexiu Transport Infrastructure Limited (“**Company**”) will be held at Plaza I-IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 30 May 2018 at 11:00 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company convened to be held at 10:30 a.m. on the same date and at the same place) (“**Meeting**”) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution. Words and expressions that are not expressly defined in this notice of special general meeting shall bear the same meaning as those defined in the circular to the shareholders of the Company dated 14 May 2018 (the “**Circular**”).

#### ORDINARY RESOLUTION

“**THAT:**

- (a) the 2018 Bank Deposits Agreement and the consummation of transactions contemplated thereunder (including the Revised Bank Deposits Annual Caps) as more particularly described in the Circular and on the terms and conditions set out in the 2018 Bank Deposits Agreement be hereby approved, ratified and confirmed; and
- (b) authorization be granted to any one Director to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as the Company, such Director or, as the case may be, the Board may consider necessary, desirable or expedient or in the interest of the Company to give effect to the terms of the matters contemplated under the 2018 Bank Deposits Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.”

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

Hong Kong, 14 May 2018

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## NOTICE OF SPECIAL GENERAL MEETING

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*Registered Office:*

*Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda*

*Notes:*

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such authority, must be deposited with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting thereof.
4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the share(s) shall be accepted to the exclusion of the votes of the other joint registered holders.
6. The register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018, both days inclusive, during which period no transfer of Shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 24 May 2018.

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

*Executive Directors: ZHU Chunxiu (Chairman), HE Baiqing, LI Feng and CHEN Jing*

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