

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# 越秀交通基建有限公司

## Yuexiu Transport Infrastructure Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 01052)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF 55% EQUITY INTERESTS IN A COMPANY HOLDING THE TOLL COLLECTION RIGHT OF AN EXPRESSWAY IN HENAN**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**



**SOMERLEY CAPITAL LIMITED**

#### **ACQUISITION OF 55% EQUITY INTERESTS IN A COMPANY HOLDING THE TOLL COLLECTION RIGHT OF AN EXPRESSWAY IN HENAN**

On 9 October 2024 (after trading hours), the Vendor (a connected person of the Company) and the Purchaser (a wholly-owned subsidiary of the Company) entered into the SPA whereby the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to buy, the Target Equities (i.e. 55% equity interests in the Target Company) at the Total Consideration of RMB758.45 million.

Completion is subject to the fulfillment (or waiver, if applicable) of the Conditions specified in the SPA. Upon Completion, the Company will indirectly own 55% of the equity interests in the Target Company. Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

The Target Company is principally engaged in business activities relating to the Toll Collection Right in respect of the Target Expressway (namely, the Henan Pinglin Expressway), an expressway located in Henan.

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

The Target Expressway is located in the core development region of Zhongyuan\* (中原) city cluster and is an important component of the G36 Nanjing-Luoyang Expressway\* (寧洛高速公路G36), one of the 18 east-west trunk lines in the national “71118” expressway network. The Target Expressway has been in operation for over 18 years since it commenced operation in 2006. The surrounding expressway networks are mature and stable.

The Target Company recorded profits in the first year (2023) after its acquisition of the Toll Collection Right in the Judicial Auction in February 2023. The Company believes that the Target Company can bring enhanced cash flow and profits to the Group after Completion. The Company also believes that the Target Company will continue to bring impetus to the growth of the Group’s toll income and profits in the future, and will replenish the drop in profits as a result of the expiration of toll collection right of Guangzhou Northern Ring Road in March 2024.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25% and the Vendor is the ultimate controlling shareholder of the Company, the Acquisition constitutes both a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. The Company will convene the SGM at which a resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Acquisition.

In accordance with the Listing Rules, the Independent Board Committee has been established to consider the Acquisition and to advise the Independent Shareholders on how to vote on the resolution to be proposed at the SGM in relation thereto. An independent financial adviser has been appointed by the Company to advise the Independent Board Committee as well as the Independent Shareholders in this regard.

## **SGM AND CIRCULAR**

As additional time is required to prepare the information to be included in the Circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) the Valuation Report; and (v) summary of the Traffic Study Report, the Circular is expected to be dispatched to the Shareholders on or before 8 November 2024.

## 1. INTRODUCTION

The Board announces that on 9 October 2024 (after trading hours), the Vendor (a connected person of the Company) and the Purchaser (a wholly-owned subsidiary of the Company) entered into the SPA whereby the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to buy, the Target Equities at the Total Consideration of RMB758.45 million.

## 2. THE ACQUISITION

Set out below is a summary of the principal terms of the SPA and other relevant information on the Acquisition.

### 2.1 Date

9 October 2024

### 2.2 Parties

The Vendor and the Purchaser

### 2.3 Assets to be acquired

The Target Equities are 55% of the equity interests in the Target Company.

The Target Company was jointly established by the Vendor and CM Expressway Co. in February 2023 for the purpose of participating in the Judicial Auction. The Vendor and CM Expressway Co. respectively contributed RMB704,000,000 and RMB576,000,000 to the registered capital of the Target Company upon its establishment. Since its establishment, the Vendor and CM Expressway Co. provided or procured shareholder group loans in the principal amount of RMB643,107,520 and RMB526,178,880 to the Target Company in proportion to their respective equity interests. As at the Announcement Date, the shareholder group loans had been repaid in full by external bank borrowings and self-owned funds. The external bank borrowings have a term of 7 to 8 years with a rate ranging from 2.45% to 2.82% per annum.

### 2.4 Total Consideration

The total consideration for the Acquisition (the “**Total Consideration**”) is RMB758.45 million.

The Total Consideration is payable in cash. As at the Announcement Date, the Company intends to finance the Total Consideration with net proceeds from the spin off of the CAMC-Yuexiu Expressway Close-end Infrastructure Securities Investment Fund in 2021, pending completion of the relevant procedures as required by the latest requirements under the *Notice by the National Development and Reform Commission of Fully Promoting the Regular Issuance of Projects of Real Estate Investment Trusts (REITs) in the Infrastructure Field (No. 1014 [2024] of the National Development and Reform Commission)* (“**Notice No. 1014**”) by the Company.

### *Basis for determining the Total Consideration*

The Total Consideration, which is determined with reference to the appraised market value of the Target Equities as at the Valuation Date and the factors mentioned in section 7 (REASONS FOR AND BENEFITS OF THE ACQUISITION) of this announcement and after arm's length negotiation between the Parties, represents a discount of approximately 3.6% to the appraised market value of the Target Equities (RMB787 million) according to the Valuation Report.

The Valuation Report, which adopted the discounted cash flow method under income approach, constituted a profit forecast (the "**Profit Forecast**") under Rule 14.61 of the Listing Rules. Based on the free cash flow to equity approach, which is used to arrive at the appraised market value of the Target Equities of RMB787 million, and the Total Consideration, the internal rate of return is estimated at 9.2%. Please refer to section 5 (MARKET VALUE OF THE TARGET EQUITIES AS APPRAISED BY THE VALUER) below for assumptions on which the Profit Forecast was based.

## **2.5 Payment**

Subject to the Conditions having been fulfilled (or waived, as the case may be), the Purchaser shall pay in one lump sum the Total Consideration on or after the Completion Date, and in any event within five working days from the fulfillment (or waiver, where applicable) of the Conditions.

## **2.6 Conditions to Completion**

Completion shall take place within two days from the fulfillment (or waiver, where applicable) of the following Conditions:

- (i) the Company having issued the Circular and the Independent Shareholders having approved the SPA and the transactions contemplated under the SPA in accordance with the Listing Rules;
- (ii) the specific representations and warranties given by the Vendor under the SPA having remained true, accurate, complete and not misleading and there not having been any omission from the signing of the SPA up to the Completion Date;
- (iii) CM Expressway Co. having agreed to waive its pre-emptive right in respect of the Target Equities; and

- (iv) the Target Company having obtained written consent or no objection from its creditor banks in respect of the Acquisition pursuant to the terms of the relevant loan documents.

None of the Parties may waive the Conditions set out in (i) and (iii) above.

The Purchaser may waive (with or without conditions) the Conditions to be fulfilled by the Vendor and/or the Target Company as procured by the Vendor set out in (ii) and (iv) above.

If the Conditions cannot be fulfilled (or waived, where applicable) on or before 31 December 2024, the SPA shall be terminated automatically unless the Parties agree to an extension.

## **2.7 Key warranties and undertakings given by the Vendor**

The Vendor has warranted and undertaken as at the signing date of the SPA and will warrant and undertake on each day before Completion, among other things, to the Purchaser the following:

- (i) the Vendor is the sole beneficial owner of the Target Equities;
- (ii) the Target Equities are free from any guarantee, mortgage, charge or any similar encumbrance on property rights or any third party rights;
- (iii) the Toll Collection Right is true and legal and not subject to any encumbrance on property rights or any third party rights other than the charges made in favour of the creditor banks in connection with existing loans;
- (iv) the Target Company's title to the Toll Collection Right is not subject to any ongoing or known potential litigation or arbitration;
- (v) there has been no material adverse change to the Target Company; and
- (vi) the Vendor shall compensate all the losses suffered by the Purchaser if, among other things:
  - (A) the interest of the Purchaser in the Target Equities (or any part thereof) is prejudiced as a result of third party's claims or other reasons due to causes attributable to the Vendor or the Target Company on or prior to the Completion Date; or

- (B) the Toll Collection Right has been cancelled, deprived or permanently or temporarily terminated (other than suspension, reduction or exemption of toll pursuant to the PRC laws, regulations or national policies) due to causes that occurred on or prior to the Completion Date.

## **2.8 The Compensation Amounts**

The Vendor has undertaken that if it does not raise any written objection within three working days from the date of written notice from the Purchaser, the Vendor shall pay such amounts equal to the Compensation Amounts to the Purchaser within 10 working days from the date of written notice from the Purchaser. The compensation amounts refer to the following sum (“**Compensation Amounts**”):

- (A) 55% of the amount of any debts or other payables of the Target Company which were outstanding but not disclosed as at the Accounts Date;
- (B) 55% of the amount of any shortfall, reduction or loss of value of assets of the Target Company as at the Completion Date as compared to that as at the Accounts Date (excluding fair wear and tear and ordinary depreciation);
- (C) 55% of the amount of any decrease in assets or increase in debts or liabilities of the Target Company as a result of expenses incurred or transactions entered into between the Accounts Date and the Completion Date which are not in the ordinary course of business of the Target Company, regardless of whether details of the same have been disclosed to the Purchaser; and
- (D) any other compensation amounts which the Purchaser is entitled to receive from the Vendor pursuant to the SPA (including but not limited to the amounts that should be borne or compensated by the Vendor as identified from the Completion accounts to be audited by an independent accounting firm to be jointly appointed by the parties within 15 working days after the Completion).

## **2.9 Completion**

Upon the fulfillment (or waiver, where applicable) of the Conditions, Completion shall take place when the Purchaser is registered as the shareholder of the Target Equities in the register of members of the Target Company.

Upon Completion, the Company will indirectly own 55% of the equity interests in the Target Company, whilst CM Expressway Co. will continue to own the remaining 45% of the equity interests. Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

### 3. INFORMATION ON THE TARGET COMPANY

#### 3.1 Establishment and principal business

The Target Company was established in Henan, the PRC on 10 February 2023 for the purpose of participating in the Judicial Auction, and is principally engaged in business activities relating to the Toll Collection Right and fulfilling its obligations to maintain and repair the Target Expressway.

The Target Company won the Judicial Auction and acquired the Toll Collection Right at the Judicial Auction Price of RMB2,449,286,400, of which RMB1,280,000,000 was paid with the Target Company's internal resources and RMB1,169,286,400 was financed by loans made to the Target Company.

As advised by the Company's PRC legal advisors, the procedure for the Judicial Auction was completed in accordance with the requirements of the applicable laws and regulations. It was also advised that the ownership of the Toll Collection Right was transferred to, and has since been legally owned by, the Target Company, and the Target Company became entitled to revenue derived from the Target Expressway from 23 February 2023, being the day on which the Execution Order was delivered to the Target Company.

#### 3.2 Financial information

Set out below is the financial information on the Target Company in relation to the periods specified below:

	<b>From date of establishment to 31 December 2023 (audited) RMB('000)</b>	<b>For the seven months ended 31 July 2024 (unaudited) RMB('000)</b>
Profits before taxation	158,825	107,486
Profits after taxation	119,119	80,404
Revenue ( <i>Note</i> )	482,364	303,521
	<b>As at 31 December 2023 (audited) RMB('000)</b>	<b>As at 31 July 2024 (unaudited) RMB('000)</b>
Total equity	1,399,119	1,359,591
Total assets	2,396,993	2,307,880

*Note:* The Target Company acquired the Toll Collection Right in the Judicial Auction. Under the applicable PRC laws, the Target Company became entitled to revenue derived from the Target Expressway from 23 February 2023, being the day on which the Execution Order was delivered to the Target Company.

## 4. INFORMATION ON THE TARGET EXPRESSWAY

### 4.1 Location

The Target Expressway is an important component of the G36 Nanjing-Luoyang Expressway\* (寧洛高速公路G36), one of the 18 east-west trunk lines in the national “71118” expressway network, and is also one of the horizontal roads in the “16 vertical 16 horizontal” of the Henan Province Expressway Network Plan (2021-2035)\* (《河南省高速公路網規劃(2021-2035年)》). The Target Expressway is the main thoroughfare connecting Luoyang (洛陽) in the northwest of Henan with Pingdingshan (平頂山), Luohe (漯河) and Zhoukou (周口) in the central part of Henan. It is also one of the main logistics roads connecting the northwestern and southeastern coastal areas of China.

For reference purposes, set out below is a map showing the location of the Target Expressway:



### 4.2 Toll mileage and other information

The toll mileage and other information on the Target Expressway are set out below:

Toll mileage	:	106.45 km
Design speed	:	120 km per hour
Number of lanes	:	Dual four lanes
Number of toll collection stations	:	Six
Completion examination and acceptance	:	Completed
Expiry date of the Toll Collection Right	:	24 October 2033



### 4.3 Toll level

The toll level of the Target Expressway as at the Announcement Date is primarily based on classification of vehicles by reference to (i) (in the case of passenger vehicles) the number of seats or (ii) (in the case of trucks and special purpose vehicles) the number of axles and, where applicable, length of the vehicle and maximum permitted loading weight. Details of the toll rates of the Target Expressway as at the Announcement Date are set out below:

#### A. Toll rates based on classification of vehicles

Vehicle class		Classification Standard	Toll Rate (RMB/per vehicle.km)
Passenger vehicles	1	≤ 9 seats	0.55
	2	10 to 19 seats	0.75
	3	20 to 39 seats	0.95
	4	≥ 40 seats	1.10
Trucks and special purpose vehicles ( <i>Note</i> )	1	(i) Number of axles: two; (ii) Length of truck: below 6,000 mm; and (iii) Maximum permitted loading weight: less than 4,500 kg	0.50
	2	(i) Number of axles: two; (ii) Length of truck: not less than 6,000 mm; or (iii) Maximum permitted loading weight: not less than 4,500 kg	1.50
	3	Number of axles: three	1.90
	4	Number of axles: four	2.20
	5	Number of axles: five	2.40
	6	Number of axles: six	2.60

*Note:* Length of truck and special purpose vehicles, and the maximum permitted loading weight are not specified in respect of trucks and special purpose vehicles of classes 3 to 6.

*B. Toll rates under the policy on different and favourable toll rates for trucks*

The section for standard toll rate for trucks of class 1		Trucks of class 2	Trucks of class 3	Trucks of class 4	Trucks of class 5	Trucks of class 6
Road Standard	RMB0.5 per vehicle.km	62.67%	74.21%	83.64%	82.08%	93.08%

In addition, as at the Announcement Date, Henan Province offers a 5% discount to vehicles using electronic toll collection (ETC) to pay tolls.

*Notes:*

1. The toll rates under the policy on different and favourable toll rates for trucks set out in the above table apply to all sections of the Target Expressway.
2. The vehicles as classified and set out in the above table refer to trucks of classes 2 to 6, respectively set out in the table headed “A. Toll rates based on classification of vehicles”. There is no favourable rate for trucks of class 1.
3. The toll rates payable by trucks of classes 2 to 6 under the policy on different and favourable toll rates are computed by multiplying the relevant standard toll rates set out in the table headed “A. Toll rates based on classification of vehicles” by the percentages set out in the above table.

## **5. MARKET VALUE OF THE TARGET EQUITIES AS APPRAISED BY THE VALUER**

### **5.1 Discounted cash flow method under income approach**

The Valuation Report in relation to the Target Company was prepared using the discounted cash flow method under income approach. The asset approach was not adopted as such approach could not capture the future earning potential of the Target Company. Market approach was not adopted as the Target Expressway had its own traffic characteristics and it was difficult to find comparable valuation multiples.

The discounted cash flow method involves determining the present value of future cash flows to the Target Company by applying an appropriate discount rate. For the purpose of the Valuation Report, the expected free cash flow to equity (FCFE) for each year was determined as follows:

$$FCFE = Net Profit + Non-cash Expenses - Capital Expenditure - Change in Net Working Capital + Loan Drawdown - Loan Repayment$$

The Valuer has adopted mid-period discounting in determining the present value of the FCFE on the basis that toll revenue is collected throughout the year and accordingly the cash flow is on average to be discounted in mid-period as opposed to end of period. In determining an appropriate discount rate for the purpose of the Valuation Report, the Valuer used the capital assets pricing model (CAPM) to estimate the cost of equity for the Target Company taking into account factors

including (a) market and business risks of the Target Company; (b) general economic outlook and the specific investment environment for the business; (c) the nature and current financial status of the Target Company; (d) the historical performance of the Target Company; (e) the market expectation and required rate of return for similar business; and (f) assumptions stated in the Valuation Report (key assumptions are reproduced in this announcement). The cost of equity is in turn adjusted by factors including (a) prevailing risk-free rate; (b) required market return; and (c) estimated beta of the Target Company and firm specific risk factors. Key inputs and parameters are set out below:

<b>Item</b>	<b>As at 31 July 2024</b>	<b>Notes</b>
Unlevered beta	0.30	Median of comparable companies' 5-year weekly beta from Bloomberg
Debt-to-equity ratio	60.9% <sup>1</sup>  <i>(It is assumed this will gradually decrease to nil for the year ending 31 December 2032 and remain at that level thereafter)</i>	Subject to the Target Company's ongoing changes in capital structure
Levered beta	0.44  <i>(It is assumed this will gradually decrease to 0.30 for the year ending 31 December 2031 and remain at that level thereafter)</i>	$\beta_L = \beta_u \times (1 + (1-T) \times \frac{D}{E})$ Where: $\beta_u$ = unlevered beta D = market value of debt E = market value of equity T = corporate tax rate
Risk free rate	3.1%	Yield of Hong Kong Government Bond approximating the remaining term of the Toll Collection Right
Equity risk premium	4.9%	Equity risk premium of Hong Kong in July 2024 sourced from Aswath Damodaran
Country risk premium	0.1%	Differential between country risk premium of Hong Kong and mainland China in July 2024 sourced from Aswath Damodaran
Size premium	2.0%	2023 data published by Kroll Cost of Capital Navigator

<sup>1</sup> This refers to the average debt-to-equity ratio for the five months ending 31 December 2024.

Item	As at 31 July 2024	Notes
Specific risk premium	1.5%	The Valuer's judgment with reference to rate adopted in market toll road acquisitions, including DLOM (as defined below) and the Target Company's operational risk factors
Cost of equity	8.9%	$K_e = R_f + \beta \times ERP + \alpha$
	<i>(It is assumed this will gradually decrease to 8.2% for the year ending 31 December 2030 and remain at that level thereafter)</i>	Where: $R_f$ = risk free rate ERP = equity risk premium $\beta$ = the beta factor $\alpha$ = firm specific risk factors (alpha)

## 5.2 Principal assumptions

The principal assumptions on which the Profit Forecast is based are set out below:

### *Specific assumptions*

- (i) The future financial performance of the Target Company will be in line with the traffic and maintenance cost projections made by CDG with the assistance of the management of the Company at the required rates of return.
- (ii) The toll rate and charging mechanism will remain unchanged over the remaining toll collection period for the Target Expressway as forecasted by CDG.
- (iii) From 1 January 2025 to the expiry of the Toll Collection Right, the percentage of receivable-to-revenue ratio will be equivalent to the historical figure as at the Valuation Date.
- (iv) The financial and operational information provided and confirmed by the Company are accurate. The Target Company will have sufficient financial support as required to remain operating as a going concern.
- (v) The Target Company will repay its bank loans at the time, amount and interest rate agreed in the loan contracts.
- (vi) The capital expenditure and maintenance cost forecast are sufficient for maintaining the Target Expressway at satisfactory conditions for the forecast traffic and the regulatory requirement, there are no hidden or unexpected conditions associated with the assets or liabilities of the Target Company that might adversely affect the reported value.

- (vii) As the equity of the Target Company is not publicly listed and not readily marketable (i.e. illiquid) as at the Valuation Date, the Valuer has added a 1.5% premium to the discount rate to reflect the applicable Discount for Lack of Marketability (“DLOM”) and operational risk to the equity value of the Target Company as at the Valuation Date with reference to the circumstances of the Target Company, market factors and the DLOM adopted in other acquisitions of toll road companies in mainland China.
- (viii) Since the stake involving the Target Company is controlling stake, discount for lack of control is not necessary.

*General assumptions*

- (i) There will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation.
- (ii) The long-term inflation rate, interest rate and currency exchange rate will not differ materially from those presently prevailing.
- (iii) The Target Company will retain sufficient management and technical personnel to maintain its ongoing operations.
- (iv) There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business.
- (v) The Target Company’s businesses are unaffected by any statutory notice and the operation of the business does not give, or will not give, rise to a contravention of any statutory requirements. All applicable laws and regulations have been and will be complied with.
- (vi) The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target Company’s default against its outstanding commitment or obligations.
- (vii) Any potential bad debt of the Target Company will not materially or significantly affect the value of the Target Company.

**5.3 Limiting conditions**

Set out below are key limiting conditions of the Valuation Report:

- (i) The Valuation Report does not comment on the lawfulness of the businesses and the Target Company’s possession of the assets. In the Valuation Report, it is assumed that the assets are free from encumbrances, restrictions, ongoing of onerous nature, and are freely transferable in the market without any significant obstacles.

- (ii) No structural or civil engineering survey has been performed and therefore the Valuation Report is not able to confirm if the Target Expressway is free from structural defects and would not assume any adverse impact from such matters.
- (iii) Considerable reliance has been placed on the information provided by the Company and the Valuation Report does not constitute an audit and no assurance is given in relation to the information supplied to the Valuer.

Further details of the Valuation Report will be set out in the Circular.

#### 5.4 Traffic Study Report prepared by CDG

*Table A: Summary of the traffic forecast projection on annual average daily traffic basis (vehicles/day)*

<b>Year</b>	<b>Optimistic case</b>	<b>Conservative case</b>
2024	16,739	15,782
2025	16,634	15,123
2026	16,717	15,001
2027	17,447	15,569
2028	18,086	16,133
2029	18,585	16,463
2030	19,367	17,023
2031	20,087	17,528
2032	20,824	18,029
2033	21,577	18,522

*Table B: Summary of the traffic forecast projection in annual toll revenue (RMB million)*

<b>Year</b>	<b>Optimistic case</b>	<b>Conservative case</b>
2024	551	519
2025	537	488
2026	534	478
2027	550	491
2028	569	511
2029	576	515
2030	593	527
2031	609	538
2032	626	550
2033	521	455

*Notes:*

1. The annual average daily traffic above excludes toll-free traffic volume.
2. The forecast set out in Tables A and B is made on the basis that there will be 297 days in 2033 (being the year in which the Toll Collection Right will expire) on which toll may be collected.
3. Major assumptions of the Traffic Study Report are as follows: (i) the economic development of the Target Expressway's location will maintain stable but gradually reducing growth (taking into account historical data such as GDP and work reports of local government authorities); (ii) the road network model is based on the latest planning information in respect of the expressway network in Henan Province as well as the planning information for rail and trunk roads; and (iii) there is no change to the toll rate standards (disclosed above) and toll policies. The relevant toll policies are: (a) green channel policy – toll exemption for vehicles fully and legally loaded with fresh agricultural products; (b) toll-free period during major holidays for passenger vehicles with seven seats or less to be exempted from toll payment; and (c) electronic toll collection (ETC) discount of 5% and assuming the proportion of ETC usage remains basically the same.

## **5.5 Reports from the Board and auditor of the Company**

The Board has issued a report confirming that the Directors have made the Profit Forecast after due and careful enquiry. Please refer to Appendix I to this announcement for the said report of the Board.

Ernst & Young have reviewed the arithmetical accuracy of the calculations of the discounted cash flow forecast upon which the Valuation Report is based. Please refer to Appendix II to this announcement for the said report.

## **6. INFORMATION ON THE PARTIES**

### **6.1 The Group and the Purchaser**

The Group is principally engaged in the investment, construction and development, operation and management of toll expressways and bridges mainly in Guangdong province and other high growth provinces in the PRC.

The Purchaser is a wholly-owned subsidiary of the Company and is an investment holding company.

### **6.2 The Vendor**

The Vendor is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People's Government. The scope of business of the Vendor includes, among other things, import and export of technologies and goods, investment with its own funds, enterprise management services and enterprise management consultancy services. The Vendor is the ultimate controlling shareholder of the Company holding approximately 44.20% of the issued share capital of the Company as at the Announcement Date and therefore a connected person of the Company.

The Vendor is majority owned by the Guangzhou Municipal People's Government of the PRC.

## **7. REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Target Expressway is located in the core development region of Zhongyuan\* (中原) city cluster and is an important component of the G36 Nanjing-Luoyang Expressway\* (寧洛高速公路G36), one of the 18 east-west trunk lines in the national "71118" expressway network. The Target Expressway has been in operation for over 18 years since it commenced operation in 2006. The surrounding expressway networks are mature and stable. As a result of its location, the Target Expressway will continue to benefit from the regional development strategic plans such as the "Rise of Central China" (中部崛起).

The Target Company recorded profits in the first year (2023) after its acquisition of the Toll Collection Right in the Judicial Auction in February 2023. The Company believes that the Target Company can bring enhanced cash flow and profits to the Group after Completion. The Company also believes that the Target Company will continue to bring impetus to the growth of the Group's toll income and profits in the future, and will replenish the drop in profits as a result of the expiration of toll collection right of Guangzhou Northern Ring Road in March 2024.

As disclosed in this announcement, the Total Consideration is intended to be financed by the net proceeds from the spin off of the CAMC-Yuexiu Expressway Close-end Infrastructure Securities Investment Fund in 2021, pending completion of the relevant procedures as required by the latest requirements under the Notice No. 1014 by the Company. In addition, as the Target Company has already recorded profits, it is expected that the Acquisition can increase the earnings per Share without a material impact on the financial stability of the Group.

From the perspective of operational management, as the Target Expressway is near the Weixu Expressway\* (尉許高速公路) and the Lanwei Expressway (蘭尉高速公路), which are operated by the Group, a unified operation and management and a district management model would enable the Group to achieve economies of scale and enhance management efficiency.

None of the Directors has material interests in the Acquisition and the transactions contemplated thereunder and thus no Director was required to abstain from voting on the relevant resolution(s) at the board meeting.

Taking into account the reasons and benefits described above, the Board (excluding the Independent Directors) considers that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of the Independent Directors is subject to the advice of the IFA and the opinion of the Independent Board Committee will be set forth in the Circular.



## **8. IMPLICATIONS UNDER THE LISTING RULES**

### **8.1 Discloseable and connected transaction**

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25% and the Vendor is the ultimate controlling shareholder of the Company, the Acquisition constitutes both a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Company will convene the SGM at which a resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Acquisition.

In accordance with the Listing Rules, the Independent Board Committee has been established to consider the Acquisition and to advise the Independent Shareholders on how to vote on the resolution to be proposed at the SGM in relation thereto. An independent financial adviser has been appointed by the Company to advise the Independent Board Committee as well as the Independent Shareholders in this regard.

### **8.2 SGM and Circular**

As additional time is required to prepare the information to be included in the Circular containing, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) the Valuation Report; and (v) summary of the Traffic Study Report, the Circular is expected to be dispatched to the Shareholders on or before 8 November 2024.

### **8.3 Shareholders required to abstain from voting at the SGM**

The Vendor and its associates will be required to abstain from voting on the resolution to be proposed at the SGM to approve the Acquisition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder would be required to abstain from voting on the resolution to approve the Acquisition.

### **8.4 Formation of the Independent Board Committee**

The Independent Board Committee, comprising all the Independent Directors, has been formed and will, after taking into account the advice of the IFA, provide its advice to the Independent Shareholders, including but not limited to whether the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable and how to vote on the resolution in relation to the Acquisition. The advice of the Independent Board Committee to the Independent Shareholders will be included in the Circular.

## 8.5 Appointment of the independent financial adviser

In accordance with the Listing Rules, Somerley has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders, including but not limited to whether the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable and whether the Independent Shareholders should vote in favour of the resolution in relation to the Acquisition. The advice of the IFA to the Independent Board Committee and the Independent Shareholders will be included in the Circular.

Somerley is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

## 9. EXPERTS AND CONSENTS

The following are the qualifications of experts who have given opinions or advice contained in this announcement:

<b>Name</b>	<b>Qualifications</b>
Ernst & Young	Certified Public Accountants
China Design Group Co., Ltd.	Independent professional traffic consultant
Savills Valuation and Professional Services (China) Limited	Independent professional business valuer

As at the Announcement Date, none of the above experts has any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its letter, report, opinion and/or the references to its name in the form and context in which they appear.

**The Acquisition is subject to certain conditions being satisfied (or waived, if applicable), and therefore Completion may or may not occur. Any estimates, projections, targets, forecasts, timelines and other forward-looking statements made or proposed by the Company or the Directors in this announcement are based on its or their current expectations and assumptions. These statements are subject to uncertainties and are not guarantees of future performance or development. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## 10. DEFINITIONS

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

“Accounts Date”	30 April 2024
“Acquisition”	the acquisition of the Target Equities
“Announcement Date”	the date of this announcement, being 9 October 2024
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CDG”	China Design Group Co., Ltd.* (華設設計集團股份有限公司), the traffic consultant of the Group in relation to the Acquisition
“Circular”	the circular of the Company in relation to the Acquisition to be dispatched to the Shareholders
“CM Expressway Co.”	China Merchants Expressway Network & Technology Holdings Co., Ltd.* (招商局公路網絡科技控股股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 001965) and a substantial shareholder of the Company holding approximately 12.07% of the issued share capital of the Company based on public information as available at the Announcement Date
“Company”	Yuexiu Transport Infrastructure Limited, an exempted company incorporated in Bermuda, the shares of which are listed on the Stock Exchange (stock code: 01052)
“Compensation Amounts”	has the meaning as defined in section 2.8 (The Compensation Amounts) of this announcement
“Completion”	completion of the sale and purchase of the Target Equities in accordance with the SPA
“Completion Date”	the date on which the Completion occurs
“Condition(s)”	the condition(s) precedent for the Completion
“connected person”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director”	a director of the Company
“Execution Order”	the execution order made by the Beijing No. 4 Intermediate People’s Court on 23 February 2023 under which the Court ordered that the Toll Collection Right be held by the Target Company from the date on which such order was delivered to the Target Company
“Group”	the Company and its subsidiaries
“Henan”	Henan Province (河南省) of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	Somerley, the independent financial adviser appointed by the Company in accordance with the Listing Rules for the purposes of advising and making recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
“Independent Board Committee”	the independent board committee of the Company established in accordance with the Listing Rules to advise and to make recommendations to the Independent Shareholders on the Acquisition and the transactions contemplated thereunder
“Independent Director”	an independent non-executive Director
“Independent Shareholders”	Shareholders other than those who (i) have a material interest in the Acquisition and therefore are, together with their associates, required to abstain from voting on the resolution to approve the Acquisition under the Listing Rules; or (ii) are otherwise required to abstain from voting on (or voting in favour of) the resolution to approve the Acquisition under other applicable laws, rules or regulations
“Judicial Auction”	the judicial auction of the Toll Collection Right held on 20 and 21 February 2023 which was administered by an open auction platform authorised by the Beijing No. 4 Intermediate People’s Court

“Judicial Auction Price”	the price of RMB2,449,286,400 paid by the Target Company to acquire the Toll Collection Right in the Judicial Auction
“km”	kilometre
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Notice No. 1014”	has the meaning as defined in section 2.4 (Total Consideration) of this announcement
“Parties”	collectively, the Purchaser and the Vendor
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Profit Forecast”	has the meaning as defined in section 2.4 (Total Consideration) of this announcement
“Purchaser”	Yuexiu (China) Transport Infrastructure Investment Company Limited* (越秀(中國)交通基建投資有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Acquisition (including any adjournment thereof)
“Shareholder”	a holder of the Shares
“Shares”	ordinary shares of nominal value of HK\$0.10 each in the capital of the Company
“Somerley”	Somerley Capital Limited
“SPA”	the conditional sale and purchase agreement in relation to the transfer of the Target Equities entered into between the Vendor and the Purchaser on 9 October 2024

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Henan Yuexiu Pinglin Expressway Company Limited* (河南越秀平臨高速公路有限公司), which was held as to 55% and 45% by the Vendor and CM Expressway Co. as at the date of the SPA
“Target Equities”	55% of the equity interests in the Target Company held by the Vendor
“Target Expressway”	Pingdingshan to Linru section of the Henan Pinglin Expressway (河南平臨高速公路平頂山至臨汝段)
“Toll Collection Right”	the toll collection right over the Target Expressway
“Total Consideration”	has the meaning as defined in section 2.4 (Total Consideration) of this announcement
“Traffic Study Report”	the traffic volume, operation and maintenance cost forecast report dated October 2024 prepared by CDG in respect of the Target Expressway
“Valuation Date”	31 July 2024
“Valuation Report”	the valuation report dated 9 October 2024 prepared by the Valuer in relation to the valuation of the Target Equities as at the Valuation Date
“Valuer”	Savills Valuation and Professional Services (China) Limited, the independent professional business valuer appointed by the Company in relation to the Acquisition
“Vendor”	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司)

By order of the Board  
**Yuexiu Transport Infrastructure Limited**  
**LIU Yan**  
*Chairman*

Hong Kong, 9 October 2024

*As at the Announcement Date, the Board comprises:*

*Executive Directors : LIU Yan (Chairman), HE Baiqing, CHEN Jing, CAI Minghua and PAN Yongqiang*

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

\* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

## APPENDIX I LETTER FROM THE BOARD

9 October 2024

The Listing Division  
The Stock Exchange of Hong Kong Limited  
12th Floor, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

Dear Sirs,

### **Discloseable and connected transaction: acquisition of Henan Yuexiu Pinglin Expressway Company Limited\* (河南越秀平臨高速公路有限公司) (the “Target Company”)**

We refer to the valuation report dated 9 October 2024 issued by Savills Valuation and Professional Services (China) Limited (“**Valuer**”) in relation to the valuation (“**Valuation**”) of 55% of the equity interests of the Target Company. 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 (“**Listing Rules**”).

We have discussed with the Valuer 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 issued by our auditor (namely Ernst & Young) pursuant to Rule 14.60A(2) of the Listing Rules.

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**  
**LIU Yan**  
*Chairman*

## **APPENDIX II REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF THE MARKET VALUE OF THE 55% EQUITY INTERESTS IN HENAN YUEXIU PINGLIN EXPRESSWAY COMPANY LIMITED**

*The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this announcement.*

### **To the Directors of Yuexiu Transport Infrastructure Limited**

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 9 October 2024 prepared by Savills Valuation and Professional Services (China) Limited in respect of the market value of the 55% equity interests in Henan Yuexiu Pinglin Expressway Company Limited (the “**Target**”) as at 31 July 2024 is based. The valuation is set out in the announcement of Yuexiu Transport Infrastructure Limited (the “**Company**”) dated 9 October 2024 (the “**Announcement**”) in connection with the acquisition of the 55% equity interests in the Target. The valuation based on the Forecast 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’ responsibilities**

The directors (the “**Directors**”) of the Company are solely responsible for the preparation of the Forecast in accordance with the bases and assumptions (the “**Assumptions**”) determined by the Directors and as set out in the section headed “5. MARKET VALUE OF THE TARGET EQUITIES AS APPRAISED BY THE VALUER” of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Forecast and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

### **Our independence and quality management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



## **Reporting accountants' responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors, in all material respects. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(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, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

9 October 2024