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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 your licensed securities dealer or registered institution 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**, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

The Board Letter is set out on pages 6 to 24 in this circular. The Independent Board Committee Letter is set out on pages 25 to 26 in this circular. The IFA Letter is set out on pages 27 to 48 in this circular.

A notice convening the SGM to be held at Plaza I-IV, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 22 November 2024 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to Tricor Abacus Limited, the Company's Hong Kong branch share registrar, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjourned meeting thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM if you so wish.

1 November 2024

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DEFINITIONS

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

“Accounts Date”	30 April 2024
“Acquisition”	the acquisition of the Target Equities
“Announcement”	the announcement of the Company dated 9 October 2024 in relation to the Acquisition
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Board Letter”	the section headed “LETTER FROM THE BOARD” of this circular
“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
“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 Latest Practicable 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 Compensations Amounts) of the Board Letter
“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

DEFINITIONS

“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as 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
“IFA Advice”	the advice given by the IFA as set out in the IFA Letter
“IFA Letter”	the letter issued by the IFA as set out in the section headed “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” in this circular
“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

DEFINITIONS

“Independent Board Committee Letter”	the section headed “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” of this circular
“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
“Latest Practicable Date”	29 October 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the 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 the Board Letter
“Parties”	collectively, the Purchaser and the Vendor
“percentage ratios”	has the meaning as ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Profit Forecast”	as defined in section 2.4 (Total Consideration) of the Board Letter

DEFINITIONS

“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 held on Friday, 22 November 2024 for the Independent Shareholders to consider and, if thought fit, approve the Acquisition (including any adjournment thereof)
“Shareholder(s)”	a holder of the Shares
“Shares”	ordinary shares of nominal value of HK\$0.10 each in the capital of the Company
“Somerville”	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”	as defined in section 2.4 (Total Consideration) of the Board Letter

DEFINITIONS

“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)

Note:

- * 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 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

LIU Yan (*Chairman*)

HE Baiqing

CHEN Jing

CAI Minghua

PAN Yongqiang

Registered Office

Clarendon House,

2 Church Street,

Hamilton HM 11,

Bermuda

Independent Non-executive Directors

FUNG Ka Pun

LAU Hon Chuen Ambrose

CHEUNG Doi Shu

PENG Vincent Shen

Principal place of business

in Hong Kong

17A Yue Xiu Building,

160 Lockhart Road,

Wanchai,

Hong Kong

1 November 2024

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF 55% EQUITY INTERESTS IN A COMPANY HOLDING
THE TOLL COLLECTION RIGHT OF AN EXPRESSWAY IN HENAN
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Acquisition; (iii) a letter of advice from the IFA containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Acquisition; (iv) the Valuation Report; (v) summary of the Traffic Study Report; (vi) other information as required under the Listing Rules; and (vii) a notice of the SGM.

LETTER FROM THE BOARD

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 Latest Practicable 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 interest rates 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 Latest Practicable 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. The Company has completed 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**”).

LETTER FROM THE BOARD

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 the Board Letter 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 this 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

3.2 Financial information

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

	From date of establishment to 31 December 2023 (audited) RMB('000)	For the seven months ended 31 July 2024 (unaudited) RMB('000)
Profits before taxation	158,825	107,486
Profits after taxation	119,119	80,404
Revenue (<i>Note</i>)	482,364	303,521
	As at 31 December 2023 (audited) RMB('000)	As at 31 July 2024 (unaudited) RMB('000)
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 the 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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

4.3 Toll level

The toll level of the Target Expressway as at the Latest Practicable 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 Latest Practicable 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 vehicle: 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 vehicle: 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.

LETTER FROM THE BOARD

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 Latest Practicable 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:

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

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

LETTER FROM THE BOARD

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 circular). 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:

Item	As at 31 July 2024	Notes
Unlevered beta	0.30	Median of comparable companies' 5-year weekly beta from Bloomberg
Debt-to-equity ratio	60.9% ¹ <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: β_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

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

LETTER FROM THE BOARD

Item	As at 31 July 2024	Notes
Size premium	2.0%	2023 data published by Kroll Cost of Capital Navigator
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%	$Ke = R_f + \beta \times ERP + \alpha$
	<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 β = the beta factor α = 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.

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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.

The Valuation Report is set out in Appendix I to this 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)

Year	Optimistic case	Conservative case
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

LETTER FROM THE BOARD

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

Year	Optimistic case	Conservative case
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 auditors 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 the Announcement for the said report of the Board. The said report of the Board is also set out in Appendix IV to this circular.

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 the Announcement for the said report. The said report is also set out in Appendix V to this circular.

LETTER FROM THE BOARD

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 44.48% of the issued share capital of the Company as at the Latest Practicable 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.

LETTER FROM THE BOARD

As disclosed in this circular, 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. The Company has completed the relevant procedures as required by the latest requirements under the Notice No. 1014. 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 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.

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.

8.2 Shareholders required to abstain from voting at the SGM

Pursuant to the Listing Rules, any Shareholder who has a material interest in the SPA and the transaction contemplated thereunder other than its interest as a Shareholder, and such Shareholder's associates shall abstain from voting on the resolution to approve the same to be proposed at the SGM. As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

8.3 Appointment of the IFA

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 SPA 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. Please refer to the IFA Letter as set out in pages 27 to 48 of this circular for the opinion of the IFA.

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.

8.4 Advice of the Independent Board Committee Letter

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

Please refer to the Independent Board Committee Letter as set out in pages 25 to 26 of this circular for the opinion of the Independent Board Committee and its recommendations to the Independent Shareholders as to how to vote at the SGM.

9. SGM

The SGM will be held at Plaza I-IV, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 22 November 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, to approve, among other things, the resolution set out in the notice of the SGM, which is set out on pages SGM-1 to SGM-2 of this circular.

The register of members of the Company will be closed from Wednesday, 20 November 2024 to Friday, 22 November 2024 (both days inclusive), during which no transfer of Shares can be registered. The record date for ascertaining Shareholders' eligibility to attend and vote at the SGM will be Friday, 22 November 2024. In order to be eligible to attend and vote at the SGM, all transfer(s) of Share(s) (accompanied by the relevant share certificate(s)) must be lodged for registration with Tricor Abacus Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Tuesday, 19 November 2024.

A proxy form for the SGM is enclosed with this circular. Whether or not you are able to attend and vote at the SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding

LETTER FROM THE BOARD

of the SGM. The completion and return of the proxy form will not preclude you from attending and voting in person at the SGM should you so wish, and in such event, the proxy forms previously submitted shall be deemed to be revoked.

The ordinary resolution to approve the Acquisition at the SGM will be taken by poll and an announcement on the results of the SGM will be made by the Company after the SGM. The Vendor and its associates will be required to abstain from voting at the SGM.

10. RECOMMENDATIONS

In addition to the information contained in the sections immediately preceding this section headed “10. RECOMMENDATIONS”, you are advised to read carefully the Independent Board Committee Letter on pages 25 to 26 of this circular which contains its recommendations to the Independent Shareholders as to voting at the SGM in relation to the Acquisition, and the IFA Letter on pages 27 to 48 of this circular.

Having considered the terms and conditions of the SPA and the transactions contemplated thereunder, the Directors (including the Independent Directors, after taking into account the IFA Letter, the text of which is set out on pages 27 to 48 of this circular) are of the opinion that the terms of the SPA and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to approve the SPA and the transactions contemplated thereunder at the SGM.

11. ADDITIONAL INFORMATION

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

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 circular 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.

Yours faithfully,
By Order of the Board
Yuexiu Transport Infrastructure Limited
LIU Yan
Chairman



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 01052)

1 November 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company to the Shareholders dated 1 November 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter have the same meanings as defined in the Circular.

For the purposes of the Listing Rules, we have been appointed by the Board as the Independent Board Committee to consider the Acquisition and after taking into account the advice of the IFA, to provide advice to the Independent Shareholders, including but not limited to whether the terms of the SPA and the transactions contemplated thereunder are fair and reasonable. We are required to recommend on how the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the SPA and the transactions contemplated thereunder (including but not limited to the Acquisition).

The IFA, namely Somerley Capital Limited, has been appointed with the Independent Board Committee’s approval to advise the Independent Board Committee and the Independent Shareholders in relation to the SPA and the transactions contemplated thereunder.

We wish to draw your attention to (i) the IFA Letter which contains details of the advice of the IFA and the principal factors and reasons it has taken into consideration, as set out on pages 27 to 48 of the Circular; and (ii) the letter from the Board as set out on pages 6 to 24 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the SPA and the transactions contemplated thereunder (including but not limited to the Acquisition), and the IFA Advice and the principal factors and reasons taken into consideration by the IFA, we are of the opinion that the terms of the SPA and the transactions contemplated thereunder 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 SGM to approve the SPA and the transactions contemplated thereunder (including but not limited to the Acquisition).

Yours faithfully,
Independent Board Committee of
Yuexiu Transport Infrastructure Limited
FUNG Ka Pun
LAU Hon Chuen Ambrose
CHEUNG Doi Shu
PENG Vincent Shen
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, 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

1 November 2024

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

Dear Sir/Madam,

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

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the entering into of the SPA between the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor, the ultimate controlling shareholder of the Company, and the transactions contemplated thereunder. Details of the Acquisition and the transactions contemplated thereunder are contained in the circular of the Company to the Shareholders dated 1 November 2024 (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 (i) the Vendor is the ultimate controlling shareholder and thus a connected person of the Company under the Chapter 14A of the Listing Rules; and (ii) the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, 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 and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the Independent Directors, namely Mr. Fung Ka Pun, Mr. Lau Hon Chuen Ambrose, Mr. Cheung Doi Shu and Mr. Peng Vincent Shen, has been established to advise the Independent Shareholders on the terms of the Acquisition and the transactions contemplated thereunder and to recommend to the Independent Shareholders how to vote on the resolution in relation to the Acquisition at the SGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the past two years, Somerley had acted as the independent financial adviser to the independent board committee and independent shareholders/unitholders of the Company, Yuexiu Real Estate Investment Trust (“**Yuexiu REIT**”) and Yuexiu Services Group Limited (“**Yuexiu Services**”) in relation to connected transactions/connected party transactions and/or continuing connected transactions/continuing connected party transactions (the “**Past Engagements**”). The Vendor is the controlling shareholder of each of the Company and Yuexiu Services, and the controlling unitholder of Yuexiu REIT. Details of those announced transactions we have been engaged as the independent financial adviser therefor in the past two years have been set out in the Company’s announcement dated 17 October 2022, Yuexiu REIT’s announcements dated 22 November 2022, 20 December 2022 and 22 November 2023 and Yuexiu Services’ announcements dated 23 November 2022 and 30 December 2022. The Past Engagements were limited to providing independent financial advisory services to each of the Company, Yuexiu REIT and Yuexiu Services pursuant to the Listing Rules and/or the Code on Real Estate Investment Trusts, as the case may be, and Somerley, in return, received fixed normal advisory fees from them. Somerley is not aware of any circumstances as set out under Rule 13.84 of the Listing Rules which may cause it to have a conflict of interest in acting as the independent financial adviser regarding the Acquisition.

In formulating our opinion and recommendation, we have reviewed, among other things, the SPA, the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report**”), the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report**”), the Traffic Study Report, the Valuation Report and the information set out in the Circular. We have also discussed with the management of the Group regarding the commercial and financial implications of the Acquisition on the Group.

We have relied on the information and facts supplied, and the opinions and intention expressed to us, by the Directors and management of the Group and have assumed that they are true, accurate and complete and will remain so up to the date of the SGM. 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 relied on such information and consider that the information we have received is sufficient for us to reach an informed view. 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 not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion and recommendation relating to the Acquisition, we have taken into account the following principal factors:

1. Background of and rationale for the Acquisition

1.1 The Group and the Purchaser

The Company is incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange with the stock code of 01052. The Group is principally engaged in the investment, construction and development, operation and management of toll expressways and bridges (the “Existing Toll Roads, Bridges and Port”) 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.

Set out below is the summary of the financial information of the Group for the years ended 31 December 2022 and 2023 as extracted from the Annual Report and for the six months ended 30 June 2023 and 2024 as extracted from the Interim Report:

	For the six months ended		For the year ended	
	30 June		31 December	
	2024	2023	2023	2022
	(unaudited)	(unaudited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Total revenue	1,826,884	1,935,448	3,966,726	3,288,923
Profit attributable to the Shareholders	313,938	427,106	765,309	453,114
	As at 30 June		As at 31 December	
	2024		2023	2022
	(unaudited)		(audited)	(audited)
	RMB'000		RMB'000	RMB'000
Equity attributable to the Shareholders	11,691,649		11,613,337	11,230,445

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2023, the Group recorded a revenue of RMB3,966.7 million, representing a year-on-year increase of 20.6% as compared to RMB3,288.9 million for the year ended 31 December 2022. Such increase was mainly attributable to the optimisation of pandemic prevention control, the recovery and growth of macroeconomy, the continuing recovery and growth of passenger volume and the consolidation of the financial results of the newly acquired Lanwei Expressway by the Group since 19 November 2022. The profit attributable to the Shareholders increased by 68.9% to RMB765.3 million in 2023, which was principally due to the revenue increment and the decrease in finance costs as a result of the optimisation of debt portfolio, partially offset by the impairment loss on investment in Shantou Bay Bridge amounting to RMB100 million.

For the six months ended 30 June 2024, the Group's revenue decreased by 5.6% year-on-year to RMB1,826.9 million and such decrease was primarily due to (i) severe weather conditions in China's central and eastern regions (such as Hubei Province, Henan Province and Hunan Province) around the Chinese New Year in 2024; (ii) four more toll-free days for passenger vehicles within 7 seats or less (including 7 seats) in the first half of 2024 as compared to that in the first half of 2023; and (iii) the rainy weather in regions such as Cangyu in the second quarter of 2024. The Group recorded a profit attributable to the Shareholders of RMB313.9 million for the six months ended 30 June 2024, representing a year-on-year decrease of 26.5% as compared to RMB427.1 million for the corresponding period of 2023. The decline was mainly attributable to the (i) decline in the revenue as aforementioned; and (ii) the decrease in share of results of associates (net of tax) by 56.7% or RMB53.8 million mainly due to the expiry of toll collection right of the Northern Ring Road on 22 March 2024.

The Group's equity attributable to the Shareholders as at 31 December 2022, 31 December 2023 and 30 June 2024 were RMB11,230.4 million, RMB11,613.3 million and RMB11,691.6 million, respectively, representing a year-on-year increase of 3.4% in 2023 and an increase of 0.7% from 31 December 2023 to 30 June 2024. The increases were mainly attributable to the increases in retained earnings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 The Existing Toll Roads, Bridges and Port

The toll collection right of Northern Ring Road expired at 24:00 on 22 March 2024. As at 30 June 2024, the Existing Toll Roads, Bridges and Port are all located in the PRC, namely, (i) GNSR Expressway; (ii) Cangyu Expressway; (iii) Jinxiong Expressway; (iv) Changzhu Expressway; (v) Weixu Expressway; (vi) Lanwei Expressway; (vii) Suiyuenan Expressway; (viii) Hancai Expressway; (ix) Han'e Expressway; (x) Daguangnan Expressway; (xi) Han-Xiao Expressway; (xii) GWSR Expressway; (xiii) Humen Bridge; (xiv) Shantou Bay Bridge; (xv) Qinglian Expressway; and (xvi) Pazhou Port, details of which and Northern Ring Road as extracted from the Annual Report, the Interim Report and/or based on information provided by the management of the Group are set out below:

Toll Roads, Bridges and Port	Location	Attributable interests (%)	Remaining operating period ⁽¹⁾ (years)	Toll mileage (km)	Toll revenue in 2023 (RMB'000)	Net profit ⁽²⁾ / share of results in 2023 (RMB'000)
Subsidiaries						
GNSR Expressway	Guangzhou City, Guangdong	60.00	7.5	42.5	1,105,475	358,467
Cangyu Expressway	Wuzhou City, Guangxi	100.00	6.5	22.0	101,047	44,079
Jinxiong Expressway	Tianjian City, Tianjian	60.00	5.7	23.9	85,292	9,377
Changzhu Expressway	Changsha City, Hunan	100.00	16.2	46.5	256,880	88,817
Weixu Expressway	Xuchang City, Henan	100.00	11.4	64.3	377,060	163,928
Lanwei Expressway	Kaifeng City, Henan	100.00	10.0	61.0	308,629	61,714
Suiyuenan Expressway	Jingzhou City, Hubei	70.00	15.7	98.1	715,064	237,473
Hancai Expressway	Wuhan City, Hubei	67.00	14.2	36.0	271,598	57,548
Han'e Expressway	Ezhou City, Hubei	100.00	18.0	54.8	163,102	(6,004)
Daguangnan Expressway	Huangshi City, Hubei	90.00	17.8	107.1	457,172	89,446

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Toll Roads, Bridges and Port	Location	Attributable interests (%)	Remaining operating period ⁽¹⁾ (years)	Toll mileage (km)	Toll revenue in 2023 (RMB'000)	Net profit ⁽²⁾ / share of results in 2023 (RMB'000)
Associates and Joint Venture						
Han-Xiao Expressway	Wuhan City, Hubei	30.00	12.5	38.5	236,822	15,036
GWSR Expressway	Guangzhou City, Guangdong	35.00	6.5	42.1	498,446	75,708
Humen Bridge	Dongguan City, Guangdong	27.78 ⁽³⁾	4.9	15.8	1,031,313	88,332
Northern Ring Road	Guangzhou City, Guangdong	24.30	N/A ⁽⁴⁾	22.0	720,252	85,509
Shantou Bay Bridge	Shantou City, Guangdong	30.00	4.5	6.5	106,430	10,936
Qinglian Expressway	Qingyuan City, Guangdong	23.63	10.0	215.2	679,621	20,262
Pazhou Port ⁽⁵⁾	Guangzhou City, Guangdong	45.00	N/A	N/A	23,164 ⁽⁶⁾	(19,077)

Notes:

1. It is calculated based on the number of days between the approved last date for toll collection as stated in the Interim Report and 30 June 2024 divided by 365 days, without taking into account that (i) pursuant to the supporting and protective policies from the relevant authorities in Guangdong Province regarding waiver of tolls on toll roads during the COVID-19 pandemic, the operators of the toll roads located in Guangdong Province shall submit compensation applications one year before the original toll collection deadline for toll collection deadline extension; and (ii) the original approved toll collection deadlines for the Group's toll roads located in Guangxi Autonomous Region, Hunan Province, Hubei Province, Tianjin City and Henan Province were extended by 79 days pursuant to the supporting and protective policies from the relevant local authorities.
2. After elimination of inter-company loan interests.
3. The profit-sharing ratio of Humen Bridge was 18.446% from 2010 onwards.
4. The toll collection right of Northern Ring Road expired at 24:00 on 22 March 2024.
5. The trial operation of Pazhou Port commenced on 14 April 2023, and formal operation commenced on 4 May 2023.
6. The amount represents ticket business revenue.

As at 30 June 2024, the Group controlled 10 expressways in the PRC, namely, GNSR Expressway, Cangyu Expressway, Jinxiong Expressway, Changzhu Expressway, Weixu Expressway, Lanwei Expressway, Suiyuan Expressway, Hancai Expressway, Han'e Expressway and Daguangnan Expressway, with a remaining operating period from 5.7 to 18.0 years and a total attributable toll mileage of 477.7 km (total toll mileage was 556.2

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

km). Among these 10 controlled expressways, GNSR Expressway recorded the highest net profit of RMB358.5 million in 2023 while Han'e Expressway recorded a loss of RMB6.0 million which was mainly due to the diversion of traffic volume of vehicles arising from the toll charges exemption of Wuhuang Expressway, a direct competitor. Following the expiry of toll collection right of Northern Ring Road on 22 March 2024, the Group owned 23.63%-35.00% equity interests in five expressways and bridges in the PRC as at 30 June 2024, namely, Han-Xiao Expressway, GWSR Expressway, Humen Bridge, Shantou Bay Bridge and Qinglian Expressway with a remaining operating period from 4.5 to 12.5 years and a total attributable toll mileage of 83.5 km. Among these five non-controlled expressways and bridges, Humen Bridge recorded the highest share of results of RMB88.3 million in 2023. Northern Ring Road whose toll collection right expired at 24:00 on 22 March 2024, contributed the second highest share of results of RMB85.5 million in 2023. The Group formally commenced the operation of Pazhou Port in May 2023 and it recorded a share of loss of RMB19.1 million in 2023.

1.3 *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. As at the Latest Practicable Date, the Vendor is majority owned by the Guangzhou Municipal People's Government of the PRC and is the ultimate controlling shareholder of the Company holding approximately 44.48% of the issued share capital of the Company.

1.4 *The Acquisition*

A summary of the key terms of the SPA is set out as follows:

Date	:	9 October 2024
Parties	:	(i) The Vendor; and (ii) The Purchaser
Assets to be acquired	:	The Target Equities, representing 55% of the equity interests in the Target Company.
Total Consideration	:	RMB758.45 million. The Total Consideration is payable in cash.
Payment terms	:	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.

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- Major condition to Completion** : Completion shall take place within two days from the fulfillment (or waiver, where applicable) of, amongst others, 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.
- Major 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:
- (i) 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;
 - (ii) 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.

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- 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**"):
- I. 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;
 - II. 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);
 - III. 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
 - IV. 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).
- 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.

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For further details of the principal terms of the Acquisition, please refer to section 2 of the letter from the Board.

As mentioned in the letter from the Board, the Total Consideration, as determined after arm's length negotiations between the Vendor and the Purchaser having taken into account the appraised market value of the Target Equities as at the Valuation Date (i.e. 31 July 2024) and the factors as discussed in section 7 in the letter from the Board, represents a discount of approximately 3.6% to the appraised market value of the Target Equities (i.e. RMB787 million) according to the Valuation Report. 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%. The Total Consideration is payable in cash and the Company intends to finance the Total Consideration with the net proceeds from the spin off of CAMC-Yuexiu Expressway Close-end Infrastructure Securities and Investment Fund in 2021. The Company has completed 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)*.

1.5 The Target Company

As stated in the letter from the Board, the Target Company was jointly established by the Vendor and CM Expressway Co. in Henan, the PRC on 10 February 2023 for the purpose of participating in the Judicial Auction. The Target Company's principal asset is the Toll Collection Right, which was acquired from the Judicial Auction at the Judicial Auction Price of RMB2,449,286,400. The Target Company financed the Judicial Auction Price as to (a) RMB1,280,000,000 by the Target Company's internal resources; and (b) RMB1,169,286,400 by loans made to the Target Company. A summary of the financial information of the Target Company prepared in accordance with the PRC GAAP for the period commenced from date of establishment to 31 December 2023 and the seven months ended 31 July 2024 as extracted from the letter from the Board is set out below:

	For the seven months ended 31 July 2024 (unaudited) RMB'000	From date of establishment to 31 December 2023^(note) (audited) RMB'000
Revenue	303,521	482,364 ⁽¹⁾
Net profit	80,404	119,119
Net profit margin ⁽²⁾	26.5%	24.7%

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	As at 31 July 2024 <i>(unaudited)</i> RMB'000	As at 31 December 2023 <i>(audited)</i> RMB'000
Total assets	2,307,880	2,396,993
Total liabilities ⁽³⁾	948,289	997,874
Total equities	1,359,591	1,399,119

Notes:

1. As stated in the letter from the Board, the Target Company acquired the Toll Collection Right in the Judicial Auction. Under the applicable PRC laws, the Target Company became entitled to the revenue derived from the Target Expressway from 23 February 2023, being the day on which the Execution Order was delivered to the Target Company.
2. It is calculated based on net profit divided by revenue.
3. It is calculated based on total assets less total equities.

For the period commenced from date of establishment to 31 December 2023 and the seven months ended 31 July 2024, the Target Company recorded a revenue of RMB482.4 million and RMB303.5 million, a net profit of RMB119.1 million and RMB80.4 million and a net profit margin of 24.7% and 26.5%, respectively. The improvement in net profit margin was mainly attributable to the replacement of the shareholder group loans by self-owned funds and external bank loans with lower interest rates ranging from 2.45% to 2.82% per annum.

According to the management of the Group, the total assets of the Target Company which largely comprise intangible operating rights, slightly decreased from RMB2,397.0 million as at 31 December 2023 to RMB2,307.9 million as at 31 July 2024 mainly due to amortisation of intangible operating rights. The total liabilities of the Target Company which largely comprise borrowings to acquire the Toll Collection Right over the Target Expressway, decreased from RMB997.9 million as at 31 December 2023 to RMB948.3 million as at 31 July 2024 mainly due to repayment of a certain portion of the borrowings and settlement of certain pavement maintenance payables. The total equity of the Target Company decreased from RMB1,399.1 million as at 31 December 2023 to RMB1,359.6 million as at 31 July 2024, mainly due to the declaration of dividends in February 2024.

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.

1.6 The Target Expressway

Set out below is a map illustrating the location of the Target Expressway and the nearby expressways:



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. The Target Expressway is a dual four-lane expressway and has a total length of 106.45 kilometers. The toll collection right period of the Target Expressway will end on 24 October 2033, and the remaining toll collection right period is about 9 years.

1.7 Rationale of the Acquisition

We have discussed with the management of the Group and are advised that the central core regions of the PRC with large populations and labor forces, such as Henan Province, are one of the key regions where the Group focuses on developing its toll expressways business and pursuing mergers and acquisitions of high-quality projects as part of its regional expansion strategy.

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The Target Expressway, being one of the 18 east-west trunk lines in the national “71118” expressway network and an important component of the G36 Nanjing-Luoyang Expressway* (寧洛高速公路G36), is located in the core development region of Zhongyuan* (中原) city cluster in Henan. Due to its geographical location, it is believed the Target Expressway will continue to benefit from the regional development strategic plans such as the “Rise of Central China” (中部崛起) and thus the Acquisition is expected to have a positive effect in strengthening the Group’s toll expressways business.

The Target Expressway is a 106.45 km long mature expressway which has been in operation for over 18 years. The Target Company recorded profits in 2023 after obtaining the Toll Collection Right in the Judicial Auction in February 2023. Given the Target Company recorded profits since the acquisition of Toll Collection Rights as discussed in section 1.5 above, the management of the Group believes that the Target Company can bring enhanced cash flow and profits to the Group after Completion. The management of the Group 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. As mentioned in section 1.2 above, the toll collection right of Northern Ring Road expired in March 2024 and certain toll collection rights held through associates are to be expired within the next five years. Upon Completion, the Acquisition replenishes the Group’s expressway portfolio stated in section 1.2 above and thus makes up for the absence of contribution from Northern Ring Road after the expiry of its toll collection right in March 2024 and will extend the toll mileage of the Group’s controlled expressways from 556.2 km to 662.7 km, representing an increase of approximately 19%. In addition, as the Target Company has already recorded profits, it is expected that the Acquisition can increase the earning 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.

Based on the information provided by the management of the Group, assuming that Completion had taken place as at 30 June 2024, having considered (i) the Target Company’s financial position (including its borrowings of RMB906.6 million, cash position of RMB86.8 million and total equity of RMB1,359.6 million) as at 30 June 2024; (ii) the required cash amount for settling the Total Consideration and net transaction costs relating to the Acquisition of RMB761.5 million; and (iii) fair value adjustments and related deferred tax of RMB17.8 million, assuming that the Completion had taken place as at 30 June 2024, it is estimated that the Group’s gearing ratio will increase slightly from 49.3% as at 30 June 2024 to approximately 50.9%. However, taking into account the Target Company having been profitable, it is expected that after Completion, the earnings per Share will increase.

Based on the above, we concur with the view of the management of the Group that the Acquisition is in line with the Group’s principal businesses and its long-term development strategy.

Please refer to the section 7 in the letter from the Board for further details.

2. Market outlook of toll road industry

2.1 Macro overview of Henan Province and neighbouring provinces

According to the National Statistics Bureau of China, Henan Province's gross domestic product ("GDP") increased from RMB2.27 trillion in 2010 to RMB5.91 trillion in 2023, representing a compound annual growth rate ("CAGR") of 7.7%. Henan Province's GDP was larger than that of its neighbouring provinces (i.e. Shanxi Province, Shaanxi Province, Hubei Province and Anhui Province, the "**Neighbouring Provinces**") in 2023. Furthermore, according to the Traffic Study Report, Henan Province is one of the most important transportation hubs in Central China. Based on the statistics collected by CDG, over one-third of the traffic volume of the Target Expressway in 2023 was contributed by trans-provincial travels to or from the Neighbouring Provinces. Shanxi Province reached RMB2.57 trillion with a CAGR of 8.5% from 2010 to 2023; Shaanxi Province achieved RMB3.38 trillion with a CAGR of 9.9% from 2010 to 2023; Hubei Province recorded RMB5.58 trillion with a CAGR of 10.0% from 2010 to 2023; and Anhui Province reached RMB4.71 trillion with a CAGR of 10.2% from 2010 to 2023. These figures are close to or higher than the national average CAGR of 8.98% for the corresponding period.

Henan Province and the Neighbouring Provinces have rolled out several long-term economic development plans. Henan Province has rolled out (i) Henan Province 14th Five-year Plan for National Economic and Social Development and the Outline of Long-term Goals for 2035 * (河南省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要) which is aimed to achieving an average annual growth of 6.0% in its major economic indicators; and (ii) Henan Province Territorial Spatial Planning (2021-2035)* (河南省國土空間規劃(2021-2035年)) which is dedicated to improving the GDP per capita, urbanisation rate and disposal income per capita to reach or exceed national average. Similarly, Neighbouring Provinces have launched their own 14th Five-year Plan for National Economic and Social Development and the Outline of Long-term Goals for 2035 as guidance to further develop their economies with average GDP annual growth exceeding 6.0% as their goals. It is believed that various favourable and supportive policies as aforementioned can further promote economic activities in Central China and thus increase traffic volume of the Target Expressway.

2.2 Market overview of the cities along the Target Expressway

We have discussed with CDG relating to the economic development of cities (i.e. Pingdingshan and Luoyang) along the Target Expressway. According to National Bureau of Statistics of China and 2023 Henan Statistical Yearbook, the GDPs of Pingdingshan and Luoyang recorded CAGRs of 6.2% and 7.0% respectively from 2010 to 2023. Based on latest available data from 2023 Henan Statistical Yearbook, Ruzhou City and Baofeng County of Pingdingshan where the Target Expressway mainly runs through, ranked first and third in terms of GDP among all the counties of Pingdingshan in 2022.

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According to 14th Five-year Plan for National Economic and Social Development and the Outline of Long-term Goals for 2035 of Pingdingshan and Luoyang, they strive to achieve an average annual growth of 7.0% and 8.5% in their GDPs respectively. In addition, according to Territorial Spatial Planning (2021-2035) of Pingdingshan and Luoyang, the Target Expressway is located in one of the strategic regions that Pingdingshan and Luoyang plan to put more efforts to further develop in 2021-2035.

Having considered (i) the importance of Henan Province in terms of transportation to Central China; (ii) economic performances of the Neighbouring Provinces; and (iii) the various favourable policies which support the future development of regions along the Target Expressway, we concur with the view of the management of the Group that the Group can benefit from acquiring an income-producing expressway situated in Henan Province.

3. The Traffic Study Report

3.1 *Qualification and experience of the traffic consultant*

In assessing the expertise and independence of CDG, we have conducted an interview with CDG to discuss, among other things, its experience on traffic consultancy projects (including traffic volume and toll revenue projection) and relationship with the Group and the Vendor. We understand that (a) CDG is founded in 1960 and listed on Shanghai Stock Exchange (stock code: 603018) since 2014; (b) CDG has provided traffic consultancy services for multiple projects in relation to expressways in the PRC; (c) CDG's project team consists of staff with more than 10 years of relevant experience in provision of consultancy services in relation to expressways in the PRC; and (d) CDG is a third party independent of the Group and the Vendor. We have also reviewed the scope of work set out in the engagement letter which we consider to be appropriate for the purpose of preparing the Traffic Study Report.

3.2 *Projection methodology*

We have reviewed and discussed with CDG the methodologies, bases and assumptions adopted to project the Target Expressway's traffic volume, toll revenue and operation and maintenance costs set out in the Traffic Study Report. We noted that CDG has, among other things, (i) collected economic data of Henan Province, the Neighbouring Provinces, Pingdingshan, and Luoyang and their related economic policies; (ii) obtained the historical traffic volume and toll revenue data of the Target Expressway; (iii) reviewed relevant road network plans and toll rates of Henan Province published by the regulatory authorities, including but not limited to (a) Henan Province Territorial Spatial Planning (2021-2035)* (河南省國土空間規劃(2021-2035年)); (b) Henan Province Integrated Three-Dimensional Transportation Network Planning (2021-2035)* (河南省綜合立體交通網規劃(2021-2035年)); and (c) Henan Province Expressway Network Planning (2021-2035)* (河南省高速公路網規劃(2021-2035年)); (iv) analysed the data in (i), (ii) and (iii) above; and (v) developed a traffic volume prediction and toll revenue forecast models under conservative and optimistic scenarios to estimate traffic volume and toll revenue of the Target Expressway and projected an operation and maintenance costs forecast of the Target Expressway.

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In estimating the traffic volume, toll revenue, and operation and maintenance costs of the Target Expressway, CDG has considered, among other things, traffic patterns and traffic composition of the Target Expressway, historical traffic volume and toll revenue of the Target Expressway, the GDP growth of key areas where the Target Expressway runs through or connects, the latest expressway network plans in Henan Province including the commencement of operation of new railways and expressways, toll rate standards for different types of vehicles, other toll policies (such as Green Channel Policy, Free Passage for Passenger Cars during Major Holidays and Electronic Toll Collection Discount) and the Target Company's operation and maintenance budget.

Based on the Traffic Study Report, we noted that:

- (i) from 2010 to 2023, the Target Expressway recorded a CAGR of 4.22% in its toll revenue (the "**Historical CAGR**");
- (ii) except for pandemic period (2020-2022), in general the portion of the Target Expressway's traffic contributed by trucks was decreasing while the portion contributed by passenger vehicles was increasing (the "**Traffic Composition Change**"). According to the standard toll rates published by Henan Province, trucks and special purpose motor vehicles pay higher toll rates than passenger vehicles;
- (iii) the average estimated toll revenue growth rate (average of the toll revenue growth rates under the optimistic and conservative scenario) for 2024, 2025 and 2026 are -8.24%, -4.26% and -1.31%, respectively. The negative growth rate in 2024 has been determined with reference to the historical average monthly toll revenue for the seven months ended 31 July 2024 which decreased by 7.4% period-on-period mainly due to (a) more frequent extreme weather conditions in January and February 2024 and drought in April and May 2024; (b) four more toll free days as compared to corresponding period of 2023; and (c) economic slowdown. Luojie Expressway, an expressway connecting the Target Expressway is expected to undergo reconstruction and expansion work in late 2024. In addition, new expressways parallel to or adjacent to the Target Expressway will commence operation in 2025/2026. CDG is of the view that the reconstruction work and the new expressways would reduce the Target Expressway's traffic or divert some traffic from the Target Expressway to those new expressways, which would lead to negative growth in the Target Expressway's toll revenue in 2025 and 2026;
- (iv) CDG is of the view that, during the forecast period, the Target Expressway would have the highest average estimated toll revenue growth rate of 3.76% in 2028, mainly contributed by the traffic expected to return to the Target Expressway following the completion of Luojie Expressway's reconstruction and expansion work in late 2027;

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- (v) the Target Expressway's average estimated toll revenue growth rate is expected to slow down to 1.01% in 2029, the lowest positive average estimated toll revenue growth rate during the forecast period, due to the commencement of operations of new expressways nearby; and
- (vi) having considered (a) PRC's economic slowdown and (b) the Traffic Composition Change, CDG is of the view that the estimated toll revenue growth rates for the remaining years would range from 2.40% to 2.86%, which are lower than the target GDP growth rates of Henan, the Neighbouring Provinces and the cities along the Target Expressway as well as the Historical CAGR.

As advised by CDG, save for the aforementioned, there are no other major road works and factors that will significantly affect the Target Expressway's traffic volume and toll revenue. Furthermore, CDG has confirmed with us that the adopted methodologies, bases and assumptions are commonly used for traffic volume and toll revenue projection and the Traffic Study Report is prepared in accordance with the forecasting procedures that is in-line with market practice and similar to those that CDG employed for other toll road traffic studies in the PRC.

Taking into account the above and on the basis that nothing has come to our attention that will cause us to doubt the reasonableness of the Traffic Study Report, we are of the view that the adopted methodologies, bases and assumptions stated therein are in-line with market practice.

4. The Valuation Report

The Company has engaged the Valuer as the independent valuer to appraise the market value of the Target Equities. As stated in the Valuation Report, the appraised market value of the Target Equities as at the Valuation Date (i.e. 31 July 2024) was RMB787 million (the "**Appraised Value**").

4.1 Qualification and experience of the Valuer

In assessing the expertise and independence of the Valuer, we have conducted an interview with the Valuer to discuss, among other things, its experience on toll road valuation and relationship with the Group and the Vendor. We understand that the Valuer (i) is an established appraisal firm with extensive experience in undertaking appraisals and has conducted various toll road valuation projects in the past; and (ii) a third party independent of the Group and the Vendor. Moreover, after having reviewed the scope of work set out in its engagement letter, we consider it to be appropriate.

4.2 Valuation methodologies

We have reviewed with the Valuer the valuation methodologies stated in the Valuation Report and are advised that they have considered the income approach, market approach and cost approach in assessing the market value of the Target Equities. Among

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the three valuation methods, income approach is adopted given (i) such approach having been commonly used to value assets that have income streams; (ii) the close relationship between cash flow and value of the Target Expressway; and (iii) and the availability of a cash flow forecast confirmed by the Company's management and primarily substantiated by the Traffic Study Report. The Valuer does not consider it appropriate to adopt cost approach as it does not capture the Target Company's future earning potential and market approach (using comparable companies) as each expressway is unique on its own (i.e. different traffic characteristics, concession terms, asset conditions and cost structure). Nonetheless, the Valuer referenced to the Judicial Auction Price of RMB2,449,286,400 when the Target Company acquired the Toll Collection Right (the "**Prior Transaction**") in early 2023 to cross-check the reasonableness of the value of the Target Equities. Our discussion in this regard is set out in section 4.4 below.

Having considered the reasons for adopting the income approach and the bases and assumptions used for valuing the Target Equities as discussed in below section, we are of the view that the chosen valuation method in arriving the Appraised Value is in line with market practice.

4.3 Valuation bases and assumptions

We have discussed with the Valuer on the adopted bases and assumptions and are advised that a discounted future free cashflow to equity ("**FCFE**") instead of discounted future free cashflow to firm ("**FCFF**") calculation was adopted to appraise the market value of the Target Equities as the debt repayment schedule, which will alter the capital structure over time, could be ascertained as at the Valuation Date.

Furthermore, we are advised by the Valuer that the Capital Assets Pricing Model (the "**CAPM**") is used to estimate the cost of equity. In arriving at the cost of equity, the Valuer took into account a number of factors including (i) the median beta of Hong Kong listed toll road companies; (ii) Hong Kong based risk-free rate and equity risk premium; (iii) the projected debt-to-equity ratios of the Target Company; and (iv) other risk premiums commonly used in business valuation (i.e. country risk premium, size premium and specific risk premium). Based on the Valuation Report as set out in Appendix I to the Circular, it is noted that the adopted cost of equity declines from 8.9% for 2024 to 8.2% for 2033. According to the Valuer, such decline reflects the change in capital structure of the Target Company during the remaining operating period due to gradual repayment of bank borrowings and accumulation of retained earnings from net profits. Moreover, we have reviewed and discussed with the Valuer the list of comparable companies set out in the Valuation Report used to determine the beta. Based on our discussion with the Valuer, we understand that they have employed the Bloomberg terminal to identify and select companies listed on the Stock Exchange with more than 50% of their revenue generated from operating toll roads in the PRC according to the most recent financial reports. Based on the above criteria, the Valuer has identified seven comparable companies.

In addition, we have further discussed with the Valuer about the specific assumptions and general assumptions adopted in the Valuation Report and noted that (i) the specific assumptions are primarily rely on CDG's projections and assumptions outlined in the Traffic Study Report, the loan repayment schedule and the details of the

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transactions provided and confirmed by the management of the Group; (ii) 1.5% specific risk premium, which falls within the range of those set out in similar toll road valuation reports contained in circulars published by other Hong Kong listed companies, has been considered to arrive at the discount rate by the Valuer to reflect the lack of marketability and operation risk to arrive at the Target Equities as at the Valuation Date; and (iii) the general assumptions are common assumptions adopted in business valuation including but not limited to no major changes in the existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business operates. We are not aware of any material facts which may lead us to doubt the principal bases or assumptions adopted for the valuation.

4.4 Cross-check with the Prior Transaction

We are advised by the Valuer that the Prior Transaction is a recent transaction and thus the Judicial Auction Price of RMB2,449,286,400 can be used to cross-check the reasonableness of the value of the Target Equities. Given the consideration of the Prior Transaction was for the acquisition of the Toll Collection Right without taking into account financial leverage, the Valuer is of the view that the FCFF approach, which is indifferent to the capital structure, is an appropriate method to cross-check the value of the Toll Collection Right with the Judicial Auction Price on like-for-like basis. Based on (i) the same projection data used to appraise the value of the Target Equities; and (ii) static weighted average cost of capital, the value of the Toll Collection Rights under the FCFF approach as at the Valuation Date was RMB2,302 million (the “**2024 Implicit Toll Collection Right Value**”), which is 6.0% lower than the Judicial Auction Price.

We have discussed with the Company and the Valuer in relation to the decrease in the value of the Toll Collection Right from February 2023 to July 2024 and noted that the remaining operating period of the Target Expressway when the Toll Collection Right was acquired in the Prior Transaction was about 10 years and 8 months, whereas the remaining operating period as at the Valuation Date was about 9 years and 3 months. We are advised by the Valuer that shorter remaining operating period for a mature expressway with modest projected growth would result in a lower value and relatively slow growth in toll revenue during the remaining operating period. The Valuer has further stated in the Valuation Report that since the forecast toll revenue is the primary source of value of the Target Company, shorter remaining operating period as at the Valuation Date means fewer toll revenue generated from remaining operating period compared to the date of the Prior Transaction. The revenue CAGR from 2024 to 2032 is expected to be around 1.2% according to the traffic forecast adopted for the purpose of this valuation and it is another reason causing the discount. The Valuer considers the value of the Toll Collection Right as at the Valuation Date to be reasonable despite the 6.0% discount to the Judicial Auction Price.

In order to compare with the Judicial Auction Price, we have reviewed the Valuer’s projection and discussed with them on the value of the Toll Collection Right based on FCFF approach and noted that the value of Toll Collection Right as at 21 February 2023, which is based on the same valuation method, projection data and basis and assumptions as for the 2024 Implicit Toll Collection Right Value, would be RMB2,458 million (the “**2023 Implicit Toll Collection Right Value**”), which is RMB8 million higher than the Judicial

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Auction Price. However, considering the Total Consideration representing a discount of 3.6% to the appraised market value of the Target Equities and the Vendor's efforts in obtaining the Toll Collection Right in 2023, we consider the difference of RMB8 million to be acceptable.

We are advised by the Valuer that the 2023 Implicit Toll Collection Right Value does not represent a valuation of the Toll Collection Right as at 21 February 2023 as it has incorporated hindsight with information available as of 31 July 2024, which might not be available as at 21 February 2023.

Given the difference between the 2023 Implicit Toll Collection Right Value and the Judicial Auction Price is insignificant, we consider the valuation model including the data adopted to arrive at the Appraised Value to be fair and reasonable.

5. Financial effects of the Acquisition

Independent Shareholders should note that the discussion below is for illustrative purposes only and may not necessarily represent the actual financial position and performance of the Group as a result of the Acquisition in the future.

5.1 Net assets

According to the Interim Report, the net assets of the Group as at 30 June 2024 was approximately RMB14,828.2 million. Based on the financial information (which is prepared in accordance with the Group's accounting policy) provided by the management of the Group, assuming that the Completion had taken place as at 30 June 2024 and taking into account (i) the 55% equity interests of the Target Company was acquired at the Total Consideration of approximately RMB758.5 million; (ii) the net assets of the Target Company as at 30 June 2024 was approximately RMB1,359.6 million; (iii) recognition of fair value adjustment to the Target Company's intangible operating rights was RMB23.7 million and corresponding deferred income tax liabilities was RMB5.9 million; and (iv) transaction costs relating to the Acquisition was RMB4.0 million and corresponding current income tax saving was RMB1.0 million, the Acquisition is expected to result in an increase of RMB615.9 million in the net asset value of the Group.

5.2 Earnings

Based on the Interim Report, the net profit for the six months ended 30 June 2024 was approximately RMB467.6 million. Based on the financial information (which is prepared in accordance with the Group's accounting policy) provided by the management of the Group and having considered (i) the net profit of the Target Company for six months ended 30 June 2024 was RMB66.7 million; (ii) amortisation adjustment and related deferred tax of RMB21.7 million; and (iii) the professional fee relating to the Acquisition was RMB4.0 million and related current tax saving of RMB1.0 million, assuming that the Completion had taken place as at 1 January 2024, the Group's earnings is expected to increase by 18.3% to RMB553.0 million.

5.3 *Gearing*

According to the Interim Report, the Group's gearing ratio (calculated based on net debt divided by total capital) as at 30 June 2024 was 49.3%. Based on the financial information (which is prepared in accordance with the Group's accounting policy) provided by the management of the Group and having considered (i) the Target Company's financial position (including its borrowings of RMB906.6 million, cash position of RMB86.8 million and total equity of RMB1,359.6 million) as at 30 June 2024; (ii) the required cash amount for settling the Total Consideration and net transaction costs relating to the Acquisition of RMB761.5 million; and (iii) fair value adjustments and related deferred tax of RMB17.8 million, assuming that the Completion had taken place as at 30 June 2024, it is estimated that the Group's gearing ratio will increase slightly to approximately 50.9%.

5.4 *Working capital*

Based on the Interim Report, the Group had a net current liability position of RMB3,796.1 million as at 30 June 2024. Based on the financial information (which is prepared in accordance with the Group's accounting policy) provided by the management of the Group, assuming that the Completion had taken place as at 30 June 2024 and taking into account (i) the net current asset position of the Target Company as at 30 June 2024 of RMB6.2 million; and (ii) the required cash amount for settling the Total Consideration and the expected net professional fees relating to the Acquisition of RMB761.5 million, it is expected that the net current liabilities of the Group as enlarged by the Acquisition (the "**Enlarged Group**") would increase by RMB755.3 million. However, the Directors are confident that the Enlarged Group will have sufficient working capital in the next 12 months from the date of the Circular having considered the forecast cash flows including the existing bank facilities available to the Group, the issuance of super short-term commercial paper and/or medium-term notes by the Company and the internally generated funds from operations.

We have been provided with and reviewed the working capital projection of the Enlarged Group from November 2024 to October 2025. It is noted that the working capital projection has, among other things, (i) built in a drawdown of RMB2,321 million from the Group's existing bank facilities; (ii) assumed RMB2,200 million will be raised by way of issue of super short-term commercial paper and/or medium-term notes by the Company in accordance with the registration notice issued by the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) to the Company; (iii) a loan of RMB100 million from the immediate holding company; and (iv) capital injection from non-controlling interest of a subsidiary of RMB234 million for financing the reconstruction and expansion project of the Guangzhou City Northern Second Ring Expressway. As shown in the projection, the Enlarged Group is expected to have sufficient working capital from November 2024 to October 2025. In addition, we have reviewed the existing bank facilities available to the Group and nothing has come to our attention that will cause us to doubt the working capital sufficiency.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the SPA and the transactions contemplated thereunder 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 ourselves recommend, the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Acquisition.

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 have participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

The following is the text of a report, prepared for the inclusion in this circular, received from the Valuer in connection with valuation of the Target Equities.



Savills Valuation and
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9 October 2024

The Directors
Yuexiu Transport Infrastructure Limited
17A Yuexiu Building,
160 Lockhart Road,
Wanchai, Hong Kong

Our Ref: HK/2024/GZI/25333/CJ/BX

Dear Sirs,

VALUATION OF 55% EQUITY INTERESTS IN HENAN YUEXIU PINGLIN EXPRESSWAY COMPANY LIMITED

In accordance with your instructions, we have undertaken a valuation on behalf of Yuexiu Transport Infrastructure Limited (the “**Company**”) to determine the **Market Value** (as defined below) of 55% equity interests (the “**Equity**”) in Henan Yuexiu Pinglin Expressway Company Limited (“**YXPL**”) as at 31 July 2024 (the “**Valuation Date**”).

1. BRIEF DESCRIPTION OF PINGLIN EXPRESSWAY

On 21 February 2023, Guangzhou Yue Xiu Holdings Limited, through its majority controlled subsidiary YXPL, acquired the toll collection right of Pingdingshan to Linru section of the Henan Pinglin Expressway (“**Pinglin Expressway**”) in a judicial auction at the consideration of approximately RMB2,449.29 million (“**Prior Transaction**”). Pinglin Expressway is an important component of the Nanjing-Luoyang Expressway (G36), one of the 18 east-west horizontal lines in the People’s Republic of China’s “National Road Network Plan”, and also an important component of the expressway network planned by Henan Province.

Pinglin Expressway, which starts in Shilipu Town, Ye County at the southeast of Pingdingshan City, passes through Pingdingshan downtown, and extends northwest to Xiying New Village, Linru Town, Ruzhou City where it connects to Luoyang-Jieshou Expressway. It has a total length of 106.45 kilometers and was constructed in accordance with the technical standard of a dual four-lane expressway with a designed speed of 120 kilometers per hour. There are 25 bridges in total, 6 toll stations: Pingdingshan South, New District, Baofeng, Xiaotun, Ruzhou and Wenquan, and 1 monitor center along Pinglin Expressway. The toll collection right will expire on 24 October 2033, and the remaining operation period is about 9 years and 3 months as at the Valuation Date. Please refer to Appendices I and II of this report for layout plans and on-site photos of Pinglin Expressway, respectively.

2. PURPOSE OF VALUATION AND STANDARD OF VALUE

The purpose of this valuation is to express an independent opinion of the Market Value of 55% equity interests in YXPL as at the Valuation Date stated above for the purpose of acquisition of the equity interest in YXPL (“**Acquisition**”) by the Company or its subsidiary.

Our valuation is prepared in accordance with the International Valuation Standards (“**IVS**”) published by International Valuation Standards Council.

According to IVS, Market Value is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We acknowledge that this report may be made available to the Company for public circulation purposes. We however assume no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

3. SOURCES OF INFORMATION

For the purpose of our valuation, we have relied on the following major documents and information in the valuation analysis. Certain documents and information have been provided by the Company. Other information is extracted from public sources. We have discussed with the management of the Company and China Design Group Co., Ltd. (“**CDG**”), Company’s traffic consultant, to assess the reasonableness and fairness of the documents and information adopted by us. While we have satisfied ourselves with the reasonableness and fairness of the documents and information adopted, we expressly disclaim any responsibility or liability for the accuracy of the said documents and information. The major documents and information include but not limited to:

- Background information of the Pinglin Expressway and YXPL’s business operations and relevant corporate information;

- Audited financial statements and historical financial information of YXPL and Pinglin Expressway;
- Registrations, legal documents, permits and licenses related to YXPL;
- Capital expenditure forecast of YXPL by CDG;
- Loan repayment assumptions of YXPL based on discussion of the Company;
- The economic outlook in general and the specific economic environment and elements affecting YXPL, industry and market;
- Traffic Study Report on Pinglin Expressway issued by CDG;
- Information on valuation of other toll road companies as disclosed in recent acquisitions by Hong Kong listed companies;
- Bloomberg Database; and
- Equity risk premium database published by Professor Aswath Damodaran of New York University in July 2024.

4. SCOPE OF WORK PERFORMED

Our work included analysis of YXPL's background, historical and projected financial information, and other relevant information of YXPL and Pinglin Expressway, as well as discussions with the management of Company and CDG regarding YXPL and Pinglin Expressway's business operations and other material information. We have also discussed with CDG on the bases and assumptions underlying the traffic and maintenance cost projections of Pinglin Expressway. We understand that CDG prepared the Traffic Study Report based on the following factors:

- The historical gross domestic product ("GDP"), planning materials and the forecast GDP of the respective provinces, cities and counties connected by Pinglin Expressway using both qualitative and quantitative approaches;
- The development of regional integrated transportation system and road network, focusing on analyses of the major planning and ongoing infrastructure projects around the Pinglin Expressway;
- The historical passenger and goods traffic data for Pinglin Expressway;
- The historical toll revenue on Pinglin Expressway;
- The historical exit and entrance traffic data from all toll stations of Pinglin Expressway;

- The historical traffic OD data for Pinglin Expressway;
- Documents approving the existing toll rates of Henan Province;
- Henan Provincial Highway Network Planning (2021-2035);
- Henan Provincial Territorial Spatial Planning (2021-2035);
- Henan Provincial Integrated Three-Dimensional Transportation Network Planning (2021-2035);
- Pingdingshan Municipal Territorial Spatial Master Plan (2021-2035);
- Luoyang Municipal Territorial Spatial Master Plan (2021-2035); and
- Other relevant technical documents and national standards.

We further understand that CDG prepared their cost projections on the following basis:

- The cost projections are prepared based on the principles of coherence, balance and reasonableness;
- The cost projections assume YXPL will maintain the provided management structure and staff salary level by the Company;
- The cost projections have considered both historical expenditure level and future owner's maintenance strategy, as well as specific maintenance programs to be carried out during the remaining operation period;
- The number of employees of YXPL will be stable from 2024 onwards according to the actual operation needs;
- The cost projections have considered transfer & settlement expenses of operation right to the traffic authority, which will incur before the end of operation period; and
- The cost projections have not considered possible impact from special circumstances such as extreme weather, epidemic control and statutory order.

We are of the view that CDG's basis of preparation of the Traffic Study Report is reasonable and therefore have adopted the assumption that the traffic and maintenance cost projections provided by CDG are reliable, reasonable and legitimate and have relied to a considerable extent on the projections by CDG in arriving at our opinion of value. Please refer to Appendix II of the Circular for Summary of the Traffic Study Report for more detailed discussion, assumptions and analyses by CDG.

5. VALUATION METHODOLOGY AND BASIS

In conducting the valuation, we have considered three generally accepted approaches, including income approach, market approach and cost approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation and the commonly adopted practice.

5.1 Market approach

According to the IVS, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available.

In the business valuation context, the market approach valuation shall analyse recent transaction(s) in the equity interest of the valuation subject and/or comparable companies and benchmark the valuation subject with the selected comparable(s).

The market approach using comparable companies is not adopted in this valuation as Pinglin Expressway has its own traffic characteristics, concession terms, asset conditions and cost structure which are difficult to have appropriate comparable multiples for valuation purpose.

5.2 Cost approach or Asset approach

According to the IVS, the cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

In the business valuation context, cost approach is often presented as summation method, in which Market Value of the business entity is derived from the sum of Market Value of its existing assets less the Market Value of its liabilities.

The asset approach is not adopted to value YXPL because it cannot capture the future earning potential of YXPL from operation.

5.3 Income approach

According to the IVS, the income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

In the business valuation context, under income approach, value of the business entity is derived primarily from the present value (“PV”) of its future cash flow, typically through discounted cash flow (“DCF”) method.

Given the close relationship between cash flow and value of a company, and the availability of a cash flow forecast confirmed by the Company’s management and primarily substantiated by the Traffic Study Report, we have adopted the income approach as the primary approach to estimate the Market Value of YXPL.

Meanwhile, we are aware that YXPL acquired the toll collection right of Pinglin Expressway (“Toll Asset”) in a judicial auction at the consideration of approximately RMB2,449.29 million on 21 February 2023. We will consider the reasonableness of our valuation of the Equity (on 100% shareholding basis) with reference to the transaction price of the judicial auction as an income approach cross check.

6. IMPLEMENTATION OF DCF METHOD FOR VALUATION OF YXPL

6.1 Basis of cash flow

Under DCF method, it is possible to use free cash flow to firm (“FCFF”) or free cash flow to equity (“FCFE”) to value a company. The differences between FCFF and FCFE is that FCFF reflects the value of debt as at the Valuation Date in the net debt adjustment in arriving at the equity value, whereas FCFE considers debt financing and repayment explicitly over the projection period in the cash flow projection in arriving at the equity value. Also, FCFF is discounted to PV using weighted average cost of capital (“WACC”), while FCFE is discounted to PV using cost of equity.

Based on our discussion with the management of the Company and our understanding of the existing financing of the Targets, we have selected FCFE as the basis of cash flow due to the following reasons:

- i. As the Toll Asset is of limited period of operation up to expiry of toll collection right, the associated loans need to be repaid over time within the toll collection period. The underlying assumption of long-term optimal capital structure in the adoption of WACC is not applicable; and
- ii. YXPL has known debt repayment schedule which are integral to the valuation of YXPL. We also note that the timing of debt repayment would have significant impact on the discount rate calculation and Market Value of YXPL. Therefore, only using FCFE can reflect such value.

The FCFE for each year is calculated as follows where each component is discussed in the next section:

Free Cash Flow to Equity (FCFE) = Net Profit + Non-cash Expenses – Capital Expenditure – Change in Net Working Capital + Loan Drawdown – Loan Repayment

6.2 Financial Projections

The forecast financial projections of YXPL are principally based on the following components with the forecast shown in Appendix IV of this report.

6.3 Revenue

The forecast revenue comprises solely toll revenue. The toll revenue is determined by toll rate and traffic flow, in which we have relied on the forecast from the Traffic Study Report (the forecast revenue is inclusive of value added tax (“VAT”) of 3%). For the purposes of this report, the toll revenue adopted in the DCF is exclusive of VAT.

CDG simulated two scenarios of forecast, being the “Optimistic” and “Conservative” scenarios. The “Conservative” scenario assumes a slower growth in Passenger Car Units per Day (“PCU/D”) over the remaining concession period than the “Optimistic” scenario. CDG prepared projections of the traffic volume and the toll income under both scenarios with respect to Pinglin Expressway across the toll collection period. As we understand from CDG that both cases are considered equally likely based on information as at the Valuation Date, we have adopted the averages of the “Optimistic” and “Conservative” scenarios prepared by CDG as the toll income stream (“Base Case”) for Pinglin Expressway, exclusive of VAT.

Please refer to the Traffic Study Report for the basis and details of the “Optimistic” and “Conservative” scenarios (inclusive of VAT) prepared by CDG.

Base Scenario (exclusive of VAT):

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
Revenue	216	498	492	505	524	530	544	557

RMB (million)	January to December 2032	January to October 2033
Revenue	571	474

6.4 Tax surcharges

The tax surcharges include construction tax, education, and supplementary tax determined based on the respective applicable tax rate on the VAT from toll revenue for YXPL. It also includes the property tax, resource tax, stamp duties and land use tax forecasted from the historical figures.

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
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Tax surcharges	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
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RMB (million)	January to December 2032	January to October 2033
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Tax surcharges	(3)	(3)
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6.5 Cost of revenue

Cost of revenue comprises the direct operating cost and the repair and maintenance expense based on forecasts from the Traffic Study Report. The direct operating cost principally consists of labour cost, being the wages and salaries of the staff. Repair and maintenance expenses includes road maintenance cost. Expenses of specific maintenance programs projected by CDG are qualified for capitalisation as intangible assets by YXPL are reclassified to capital expenditure. Depreciation and amortisation are projected separately in the model.

Estimated by CDG, labour cost is expected to increase to reflect necessary increase in traffics and inflation.

Repair and maintenance expenses are incurred for regular inspection, daily road service maintenance, bridge maintenance etc. It is assumed to increase to reflect necessary increase estimated by CDG due to increase of damages as a result of aging of facilities and increased usage and inflation.

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
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Cost of revenue	(35)	(75)	(77)	(80)	(82)	(85)	(88)	(90)
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RMB (million)	January to December 2032	January to October 2033
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Cost of revenue	(93)	(78)
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6.6 Administrative (admin.) expenses

Administrative expense includes network charges, management fees, vehicle use, repair fees and property management fees and are calculated based on forecast in the Traffic Study Report. Selling and distribution expenses are assumed to be minimal and insignificant based on the historical financial information and the business nature.

Administrative expenses are expected to increase to reflect necessary increase estimated by CDG due to economic growth and inflation to handle traffics.

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
Administrative (admin.) expenses	(16)	(23)	(24)	(25)	(25)	(26)	(27)	(28)

RMB (million)	January to December 2032	January to October 2033
Administrative (admin.) expenses	(29)	(24)

6.7 Transfer & settlement expenses

As the toll collection right will end on 24 October 2033, Pinglin Expressway needs to be handed over to the local transportation authority, and related expenses may be incurred in 2033 during the handover process of about RMB39.78 million according to the forecast of CDG.

6.8 Non-cash expenses

The nature of non-cash expense principally includes depreciation and amortisation, which is projected on the following basis:

- (i.) Depreciation of property, plant & equipment, long-term deferred expenses, construction-in-progress and capital expenditure (to be discussed below): straight-line method, depreciation period ranging from 32 months to 111 months. According to the accounting policy of YXPL, residual value of property, plant & equipment is about 2.4% of its net book value as at the Valuation Date, while the others are nil;
- (ii.) Amortisation of toll collection right: straight-line method over the toll collection period for the carrying value as of the Valuation Date, residual value of 0%.

6.9 Change in net working capital

Except for account receivables, as the business nature of toll road operation does not typically incur significant inventory and payable across years, YXPL is not expected to incur significant change in net working capital across years despite the forecast increase in toll revenue and the periodical increase in capital expenditure.

Based on the discussion with management of the Company, during the projection period, the percentage of accounts receivable-to-revenue ratio will equal to the historical figure as at the Valuation Date.

Apart from the above, the additional requirement for net working capital during the projection period is expected to be limited and insignificant. At the end of Toll Asset’s projection period, forecasted net working capital of RMB1 million will be expensed.

6.10 Finance cost and loan repayment

The finance cost represents the interest expenses calculated based on the interest rate and outstanding principal according to the borrowing and repayment projection confirmed by the Company. The interest rates are assumed to be fixed for the respective loans during the toll collection periods in the absence of any foreseeable change as at the Valuation Date.

The borrowing and repayment projection is confirmed by the Company based on the repayment schedule of the bank loans of RMB905 million of YXPL with interest rate at 2.80%, and prevailing interest rate term structure as at the Valuation Date.

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
Loan repayment	(51)	(118)	(118)	(118)	(156)	(158)	(162)	(23)

RMB (million)	January to December 2032	January to October 2033
Loan repayment	-	-

6.11 Corporate income tax

The effective corporate income tax rate adopted is 25% which is the statutory corporate income tax rate of mainland China.

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
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Corporate income tax	(12)	(29)	(26)	(28)	(33)	(34)	(36)	(37)
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RMB (million)	January to December 2032	January to October 2033
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Corporate income tax	(33)	-
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6.12 Capital expenditure (“Capex”)

In addition to regular repairs and maintenance, there are specific maintenance programs based on CDG’s projection. These costs are capitalised and depreciated in the remaining operation period.

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
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Capital expenditure	(80)	(71)	(71)	-	(12)	(12)	(51)	-
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RMB (million)	January to December 2032	January to October 2033
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Capital expenditure	(106)	(86)
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YXPL recognised the toll collection rights as intangible assets on their financial statements which are subject to amortisation. The carrying amount is based on the tax-deductible value according to the Company.

6.13 Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) Margin

Based on the above assumptions, the EBITDA margin of YXPL is projected to be relatively stable from 69.66% to 79.74% as the operation of Pinglin Expressway is relatively mature.

RMB (million)	Aug to December 2024	January to December 2025	January to December 2026	January to December 2027	January to December 2028	January to December 2029	January to December 2030	January to December 2031
EBITDA	154	397	388	398	413	416	426	435
EBITDA margin	71.16%	79.74%	78.87%	78.79%	78.89%	78.45%	78.34%	78.25%

RMB (million)	January to December 2032	January to October 2033
EBITDA	447	330
EBITDA margin	78.22%	69.66%

6.14 Discount rate discussion

In estimating an appropriate discount rate for YXPL, we have used the Capital Assets Pricing Model (the “CAPM”) to estimate the cost of equity for the discounting of FCFE to PV taking into consideration of pertinent factors which primarily include the following:

- the market and the business risks of YXPL;
- the general economic outlook as well as specific investment environment for the business;
- the nature and current financial status of YXPL;
- the historical performance of YXPL;
- the market expectation and required rate of return for similar business; and
- the assumptions as stated in the Specific and General Assumptions of this report.

Under CAPM, cost of equity is the sum of the risk-free rate and the equity risk premium required by investors to compensate for the market risk assumed. In addition, the cost of equity of YXPL may be subject to other firm specific risk factors (e.g. size premium) that are independent of the general market. The discount rate is determined by the then prevailing risk-free rate, required market return, estimated beta of YXPL and firm specific risk factors prevailing as at the Valuation Date with the key inputs stated below:

Item	Note
Unlevered beta	Median of comparable companies' 5-year weekly beta from Bloomberg
Debt-to-equity ratio	Subject to YXPL's ongoing changes in capital structure indicated in Appendix III of this report
Levered beta	Based on re-leveraging formula
Risk free rate	Yield of Hong Kong Government Bond approximating the remaining operation term of YXPL
Equity risk premium	Equity risk premium of Hong Kong in July 2024 sourced from Aswath Damodaran
Country risk premium	Differential between country risk premium of Hong Kong and mainland China in July 2024 sourced from Aswath Damodaran
Size premium	2023 data published by Kroll Cost of Capital Navigator
Specific Risk Premium	Valuer's judgment with reference to rate adopted in market toll road acquisitions, including Discount for Lack of Marketability ("DLOM") and company's operational risk factors.
Cost of equity	CAPM formula

Re-leveraging formula:

$$\beta_L = \beta_u \times (1 + (1 - T) \times \frac{D}{E})$$

CAPM formula:

$$K_e = R_f + \beta \times ERP + \alpha$$

Where:

β_u	=	<i>unlevered beta</i>
D	=	<i>market value of debt</i>
E	=	<i>market value of equity</i>
T	=	<i>corporate tax rate</i>
R_f	=	<i>risk free rate</i>
ERP	=	<i>equity risk premium</i>
β	=	<i>the beta factor</i>
α	=	<i>firm specific risk factors (alpha)</i>

With the repayment of outstanding principal, YXPL's capital structure will change with the passing of operation period, leading to dynamic changes in debt-to-equity ratio and cost of equity, respectively, different from the capital structure of comparable companies. Assuming no changes in other factors, adopted discount rates are tabulated in Appendix III of this report.

We note that there were numerous acquisitions of toll roads in mainland China by various Hong Kong listed toll road companies (including the Company itself), which in turn rely on the Hong Kong equity and debt market as a source of finance. We therefore consider that Hong Kong listed companies are market participants in the transaction of toll roads in mainland China for the purpose of Market Value estimation. As such, we have adopted a Hong Kong based risk free rate, market risk premium and adjusted for the operation risk in mainland China for YXPL through the country risk premium.

As in typical business valuation practice, in determining the unlevered beta, we have considered the information of Comparable Companies ("CoCos") operating toll roads in mainland China with more than 50% of its revenue source from toll road operation according to the most recent financial reports and listed in Hong Kong identified from a search on Bloomberg terminal. While the comparable companies may not operate in the same location as YXPL, they operate in the same industry and country as YXPL within the same regulatory framework, therefore considered suitable for our discount rate analysis in the absence of better alternatives for estimation of industry risk level applicable to YXPL. Set out below is information on the levered beta, debt-to-equity ratio and un-levered beta of all the CoCos we have identified for the purposes of this valuation.

Company Name	Ticker	Description	Levered beta	Debt-to-equity ratio	Un-levered beta
Jiangsu Expressway Company Limited	177 HK EQUITY	Jiangsu Expressway Company Limited operates highway businesses. The company provides toll highway investment, construction, and maintenance services. Jiangsu Expressway Company Limited also conducts highway passenger transportation, refueling, catering, car repair, and advertisement businesses.	0.63	55.4%	0.44
Shenzhen Expressway Corporation Limited	548 HK EQUITY	Shenzhen Expressway Corporation Limited constructs, manages and operates toll highways and expressways in China.	0.65	156.5%	0.30

Company Name	Ticker	Description	Levered beta	Debt-to- equity ratio	Un-levered beta
Zhejiang Expressway Co., Ltd.	576 HK EQUITY	Zhejiang Expressway Co., Ltd., through its subsidiaries, designs, constructs, operates, and manages high grade roads, as well as develops and operates certain ancillary services, such as technical consultation, advertising, automobile servicing, and fuel facilities.	0.75	356.1%	0.21
Anhui Expressway Company Limited	995 HK EQUITY	Anhui Expressway Company Limited principally holds, operates and develops toll expressways and highways in Anhui province in China.	0.64	31.2%	0.52
Shenzhen Investment Holdings Bay Area Development Company Limited	737 HK EQUITY	Shenzhen Investment Holdings Bay Area Development Company Limited provides infrastructure construction services. The company provides highway construction, bridge construction, and other related services. Shenzhen Investment Holdings Bay Area Development Company Limited offers services in China.	0.63	81.1%	0.39
Yuexiu Transport Infrastructure Limited	1052 HK EQUITY	Yuexiu Transport Infrastructure Limited, through its subsidiaries, invests in, develops, operates, and manages toll highways, expressways, and bridges in China.	0.67	295.3%	0.21
Chengdu Expressway Co., Ltd.	1785 HK EQUITY	Chengdu Expressway Co., Ltd. offers transportation infrastructure construction services. The company provides highway construction, bridge construction, and other related services. Chengdu Expressway Co., Ltd. also operates engineering construction and financial investment businesses.	0.42	86.8%	0.25
Median				86.8%	0.30

Source: Bloomberg

6.15 Discounted Cash Flow

Based on the above financial forecast and dynamic discount rate, we have adopted mid-period discounting to discount the FCFE to PV on the assumption that the toll revenue is collected throughout the year and therefore the cash flow is on average to be discounted in mid-period as opposed to end of period.

The net present value (“NPV”) of the FCFE for each period is added to arrive at the NPV from the DCF. Further adjustment for non-working capital items such as cash and cash equivalents, non-operating other receivables and other payables as at the Valuation Date are made to the NPV to arrive at the Market Value of the 100% equity interest of YXPL. We then adjusted that by the corresponding equity stake to be valued in arriving at our opinion.

The discounted cash flow calculation for the FCFE to YXPL and Market Value of the respective equity interest is set out in Appendix IV of this report.

7. SENSITIVITY ANALYSES

We consider the Market value of YXPL sensitive to specific risk premium (stated in “Specific Assumptions”) and the toll revenue (based on the different scenarios depicted by CDG). The resultant sensitivity analyses are shown below:

Sensitivity analysis for Market Value of 100% equity interest in YXPL

Scenario	SRP					Changes				
	0.50%	1.00%	1.50%	2.00%	2.50%	0.50%	1.00%	1.50%	2.00%	2.50%
<i>RMB (million)</i>										
Optimistic	1,655	1,619	1,585	1,551	1,519	16%	13%	11%	8%	6%
Base	1,494	1,462	1,430	1,400	1,371	4%	2%	0%	-2%	-4%
Conservative	1,333	1,304	1,276	1,249	1,222	-7%	-9%	-11%	-13%	-15%

8. CROSS CHECK WITH PRIOR TRANSACTION

The Prior Transaction constitutes a recent transaction in relation to the acquisition of the Toll Asset, which may reflect the Market Value at the time of transaction. Analysis of change in Market Value from then to the Valuation Date is a common cross check in business valuation. As the consideration of Prior Transaction was the acquisition of the Toll Asset exclusive of financial leverage, we performed further analyses by adopting FCFF model to value the asset.

Free Cash Flow to Firm (FCFF) = Net Profit + Non-cash Expenses – Capital Expenditure – Change in Net Working Capital

Giving the FCFF approach measures the value of asset indifferent from the capital structure, namely changes in debt-to-equity ratio of YXPL, FCFF is discounted to PV using static WACC with the formula and key parameters determined as below.

$$WACC = K_d \times (1 - T) \times \left(\frac{D}{D + E} \right) + K_e \times \left(\frac{E}{D + E} \right)$$

Where:

K_d = cost of debt

D = market value of debt

E = market value of equity

T = corporate tax rate

K_e = cost of equity, derived from CAPM formula

Item	As at 31 July	
	2024	Note
Unlevered beta	0.30	Median of comparable companies' 5-year weekly beta from Bloomberg
Debt-to-equity ratio	86.8%	Median of CoCos' debt-to-equity ratio tabulated above
Levered beta	0.50	Based on re-leveraging formula
Risk free rate	3.1%	Yield of Hong Kong Government Bond approximating the remaining operation term of YXPL
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
Specific Risk Premium	1.5%	Valuer's judgment with reference to rate adopted in market toll road acquisitions, including Discount for Lack of Marketability ("DLOM") and company's operational risk factors
Cost of equity	9.1%	CAPM formula
Cost of debt	3.9%	5-year prevalent Loan Prime Rate (LPR) in mainland China
Tax rate	25%	Statutory corporate tax rate in mainland China
Cost of Debt (after tax)	2.9%	After-tax cost of debt
WACC (adopted)	6.2%	

Based on the information from the Company, YXPL acquired the Toll Asset in a judicial auction on 21 February 2023 at the consideration of approximately RMB2,449.29 million. Adopting the financial forecast mentioned in Section 6 and above WACC, Market Value of Toll Asset is arrived at RMB2,302 million representing a discount of 6.0% to the transaction price in the Prior Transaction. Based on the discussion with the Company and our analyses, we understand that the value difference between the Prior Transaction and the Valuation Date pertains to shorter remaining operating period and relatively low growth in forecast toll revenue during the remaining operating period. The remaining operating period was about 10 years and 8 months at the time of YXPL's acquisition of the Toll Asset, whereas the remaining operating period is 9 years and 3 months as at the Valuation Date. On the other hand, since the toll revenue is the primary source of value of YXPL, shorter remaining operating period as at Valuation Date means fewer toll revenue generated from remaining operating period compared to the date of Prior Transaction. The compound annual revenue growth rate from 2024 to 2032 is expected to be around 1.2% according to the traffic flow forecast adopted for the purpose of this valuation and it is another reason causing the discount. For more details, please refer to the Appendix V of this report for DCF model of Market Value of Toll Asset.

Given the above, we consider our valuation of YXPL to be reasonable despite the 6.0% discount over the transaction price in the Prior Transaction.

9. REMARKS

Unless otherwise stated, all monetary amounts are stated in Chinese Renminbi (RMB).

Figures may not sum due to rounding.

This report is issued subject to our Assumptions and Limiting Conditions as attached.

10. SPECIFIC ASSUMPTIONS

A number of specific assumptions have been made in the preparation of the reported figures. The major specific assumptions are set out below:

- The future financial performance of YXPL will be in line with the traffic and maintenance cost projections provided by CDG with the assistance of the management of the Company at the required rates of return;
- The toll rate and charging mechanism will remain unchanged over the remaining toll collection period for Pinglin Expressway as forecasted by CDG;
- From FY2025 to the end of operating period, the percentage of accounts receivable-to-revenue ratio will equal to the historical figure as at the Valuation Date;
- The financial and operational information provided and confirmed by the Company are accurate. YXPL will have sufficient financial support as required to remain operating as a going concern;

- YXPL will repay its bank loans at the time, amount and interest rate agreed in the loan contract provided by the Company;
- The capital expenditure and maintenance cost forecast are sufficient for maintaining Pinglin 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 YXPL that might adversely affect the reported value;
- As the equity of YXPL is not publicly listed and not readily marketable (i.e. illiquid) as at the Valuation Date, we have added a 1.5% specific risk premium to the discount rate to reflect the applicable DLOM and operational risk to the equity value of YXPL as at the Valuation Date with reference to the circumstances of the YXPL, market factors and the DLOM adopted in other acquisitions of toll road companies in mainland China; and
- Since the stake involving YXPL is controlling stake, discount for lack of control is not necessary.

11. GENERAL ASSUMPTIONS

A number of general assumptions have been made in the preparation of the reported figures. The assumptions are:

- 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;
- The long term inflation rate, interest rate and currency exchange rate will not differ materially from those presently prevailing;
- YXPL will retain sufficient management and technical personnel to maintain its ongoing operations;
- 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;
- YXPL's businesses are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations have been and will be complied with;
- The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render YXPL's default against its outstanding commitment or obligations; and

- Any potential bad debt of YXPL will not materially or significantly affect the value of YXPL.

12. LIMITING CONDITIONS

We understand that you will perform additional separate due diligence before making any transaction decision related to YXPL. You will not solely rely on our opinion regarding any transaction related to YXPL. Our report will be used for internal reference and may be made available for the intended public circulation purpose and cannot replace any managerial decision or judgment of the Company's management. Our work does not constitute any buy or sell recommendation.

No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is beyond what is customarily expected on valuers' capacity or expertise. We are not in a position to, nor have been instructed to, comment on the lawfulness of the businesses and YXPL's possession of the assets. In the course of our valuation, we have assumed that the Toll Asset acquired in judicial auction is free from encumbrances, restrictions, ongoing of onerous nature, and freely transferable in the market without any significant obstacles.

We have not carried out any structural or civil engineering survey and are not therefore able to confirm if Pinglin Expressway is free from structural defects and would not assume any adverse impact from such matters.

We have been provided with extracts of copies of relevant documents and financial information relating to YXPL. We have relied upon the aforesaid information and certain data from various databases in forming our opinion of the Market Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. Our work has relied to a considerable extent on the information provided by the Company and does not constitute an audit and no assurance is given by us to the information supplied to us. Details of our principal information sources are set out in the report and we have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work. We have made relevant inquiries and obtained further information as we considered necessary for the purpose of this valuation, we however cannot guarantee the reliability or accuracy of the information sources. We have no responsibility to doubt the truthfulness and accuracy of the said information which is material to the valuation. We have also been confirmed by the Company that no material facts related to this valuation have been omitted from the information provided.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Furthermore, the assumptions adopted are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, YXPL and us. While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those

factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors. We must emphasise that the realisation of any prospective financial information set out within our report is dependent on the continuing validity of the assumptions on which it is based. We accept no responsibility for the realisation of any prospective financial information. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.

In accordance with our standard practice, we must state that this report and valuation is for the purpose of incorporation into the public announcement and circular of the Company in connection with the Acquisition and the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

We shall be under no obligation to update our report in respect of events or information which come to our attention subsequent to the date of this report. Notwithstanding this, we reserve the right, should we consider it necessary, to revise our valuation in light of any information which existed at the Valuation Date but which becomes known to us subsequent to the date of this report.

We shall not testify or attend in court due to this exercise, with reference to the valuation described herein. Should there be any further services required, the corresponding expenses and provision of services will be reimbursed from the Company and such additional work may incur without prior notification.

13. MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculation has been sent to management of the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

14. CONFIRMATION OF INDEPENDENCE

We hereby confirm that we have neither present nor prospective interests in the Company, YXPL and their respective holding companies, subsidiaries and associated companies, or the value reported herein.

15. OPINION OF VALUE

Based on the method employed and analysis stated above and in the appendices, we are of the opinion that the Market Value of 55% Equity in YXPL as at Valuation Date is **RMB787 Million (RENMINBI SEVEN HUNDRED AND EIGHTY-SEVEN MILLION ONLY)**.

We emphasise that the above value is especially dependent on the future traffic and toll rate in the regions YXPL operate and the ability of YXPL to repay their debt and operate as a going concern. Any unexpected significant changes impacting the traffic or toll rates in the regions or future delay or failure in debt servicing or could have a significant impact to the value of YXPL subsequent to the Valuation Date.

As requested by the Company for internal reference only, the internal rate of return for the Acquisition based on the FCFE and the total consideration of RMB758.45 million for YXPL is estimated at 9.2% on 55% shareholding basis.

Our opinion of value is made as at the Valuation Date only. Any value changes subsequent to the Valuation Date could be material depending on facts and circumstances.

Yours faithfully,
For and on behalf of

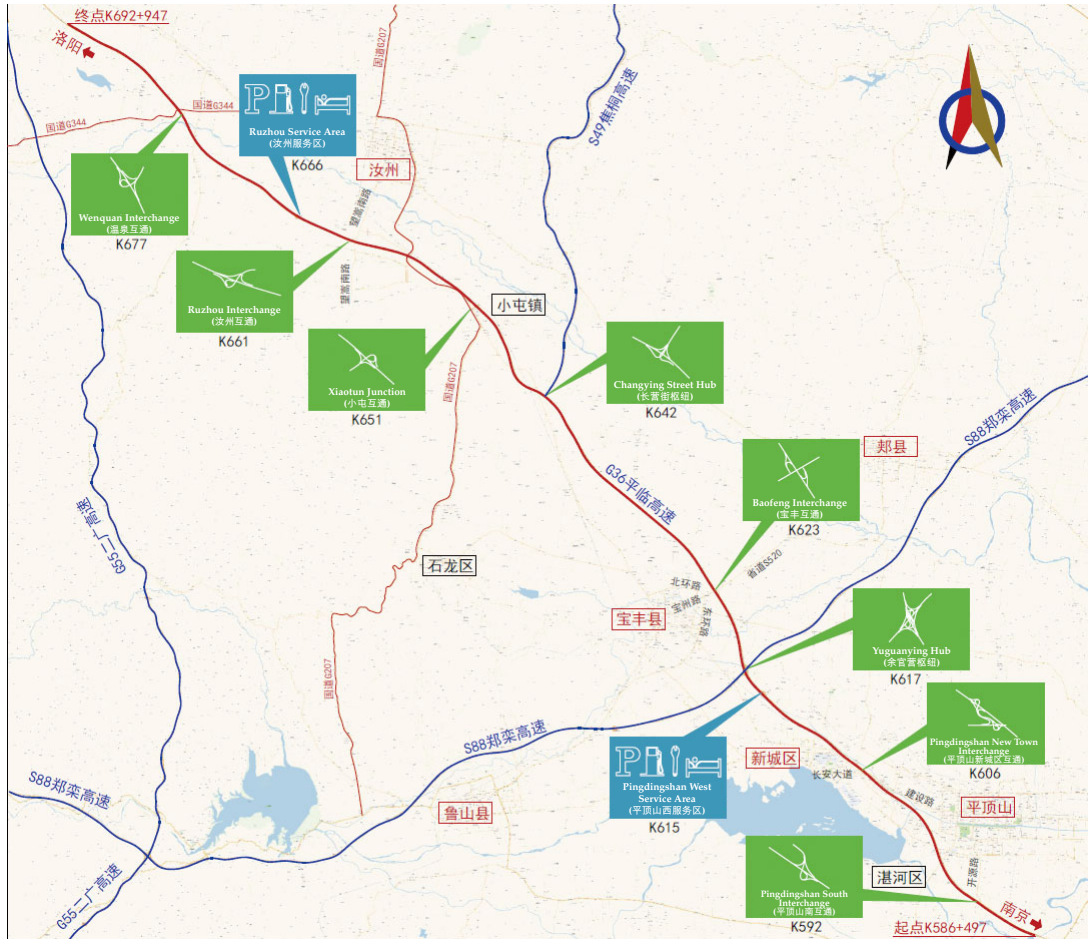
Savills Valuation and Professional Services (China) Limited

Sofia J.S. LUO
CFC, LEEDAP, CESGA, CPV
Senior Associate Director

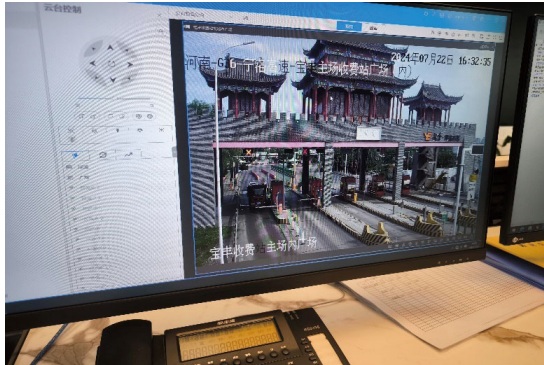
Benjamin Y. XU
CFA, MRICS, FRM, CMA
Associate Director

Encl.

Appendix I – Layout Plan of Pinglin Expressway



Appendix II – Photos of Pinglin Expressway
(Inspection Date: 22 July 2024)



Surveillance System



Farside View of Pinglin Expressway



Control Room



Pingdingshan City Toll Station

Appendix III – Dynamic Discount Rate

Discount Rate

	5 months 31/12/2024	12 months 31/12/2025	12 months 31/12/2026	12 months 31/12/2027	12 months 31/12/2028	12 months 31/12/2029	12 months 31/12/2030	12 months 31/12/2031	12 months 31/12/2032	10 months 24/10/2033
D/E ratio	60.9%	52.9%	42.6%	33.5%	23.9%	14.2%	5.3%	0.5%	0.0%	0.0%
Risk-free rate	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Unlevered beta	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Levered beta	0.44	0.42	0.40	0.38	0.35	0.33	0.31	0.30	0.30	0.30
Equity risk premium	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Size premium	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Country risk premium	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Specific risk premium	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Cost of equity	8.9%	8.8%	8.7%	8.6%	8.5%	8.3%	8.2%	8.2%	8.2%	8.2%
Rounded	8.9%	8.8%	8.7%	8.6%	8.5%	8.3%	8.2%	8.2%	8.2%	8.2%

Appendix IV – DCF calculation

Discounted cash flow model (FCFE)

<i>In RMB million</i>	Forecast 5 months 31/12/2024	Forecast 12 months 31/12/2025	Forecast 12 months 31/12/2026	Forecast 12 months 31/12/2027	Forecast 12 months 31/12/2028	Forecast 12 months 31/12/2029	Forecast 12 months 31/12/2030	Forecast 12 months 31/12/2031	Forecast 12 months 31/12/2032	Forecast 10 months 24/10/2033
Revenue	216	498	492	505	524	530	544	557	571	474
Cost of revenue	(35)	(75)	(77)	(80)	(82)	(85)	(88)	(90)	(93)	(78)
Tax surcharges	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Admin. Expenses	(16)	(23)	(24)	(25)	(25)	(26)	(27)	(28)	(29)	(24)
Transfer & Settlement Expense										(40)
Non-cash expenses	(112)	(255)	(265)	(269)	(269)	(269)	(277)	(285)	(316)	(369)
EBIT	50	142	123	129	144	147	149	150	131	(39)
Interest	(9)	(24)	(21)	(17)	(14)	(10)	(5)	(1)	-	-
EBT	41	118	102	111	130	137	143	150	131	(39)
Less: tax	(12)	(29)	(26)	(28)	(33)	(34)	(36)	(37)	(33)	-
Add: non-cash expenses	112	255	265	269	269	269	277	285	316	369
Less: capex	(80)	(71)	(71)	-	(12)	(12)	(51)	-	(106)	(86)
Less: change in net working capital	-	4	0	(0)	(0)	(0)	(0)	(0)	(0)	(1)
Bank loan repayment	(51)	(118)	(118)	(118)	(156)	(158)	(162)	(23)	-	-
FCFE	9	158	152	234	199	201	172	375	308	243
Year	0.42	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.81
Discount period	0.21	0.92	1.92	2.92	3.92	4.92	5.92	6.92	7.92	8.82
Discount rate	8.9%	8.8%	8.7%	8.6%	8.5%	8.3%	8.2%	8.2%	8.2%	8.2%
Discount factor	0.98	0.93	0.85	0.79	0.73	0.68	0.63	0.58	0.54	0.50
Present value	9	147	130	184	144	136	108	217	165	121

Appendix IV – DCF calculation cont'd

DCF valuation summary

	<i>In RMB million</i>
NPV from FCFE	1,362
Add: Cash	87
Less: Net non-operating liabilities	<u>(18)</u>
Market value of 100% equity interests in YXPL	1,430
Market value of 55% equity interests in YXPL	787

(note: figures may not sum due to rounding)

Appendix V – DCF calculation of Toll Asset

Discounted cash flow model (FCFF)

<i>In RMB million</i>	Forecast 5 months 31/12/2024	Forecast 12 months 31/12/2025	Forecast 12 months 31/12/2026	Forecast 12 months 31/12/2027	Forecast 12 months 31/12/2028	Forecast 12 months 31/12/2029	Forecast 12 months 31/12/2030	Forecast 12 months 31/12/2031	Forecast 12 months 31/12/2032	Forecast 10 months 24/10/2033
Revenue	216	498	492	505	524	530	544	557	571	474
Cost of revenue	(35)	(75)	(77)	(80)	(82)	(85)	(88)	(90)	(93)	(78)
Tax surcharges	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Admin. Expenses	(16)	(23)	(24)	(25)	(25)	(26)	(27)	(28)	(29)	(24)
Transfer & Settlement Expense	-	-	-	-	-	-	-	-	-	(40)
Non-cash expenses	(112)	(255)	(265)	(269)	(269)	(269)	(277)	(285)	(316)	(369)
EBIT	50	142	123	129	144	147	149	150	131	(39)
Less: tax	(15)	(35)	(31)	(32)	(36)	(37)	(37)	(38)	(33)	-
Add: non-cash expenses	112	255	265	269	269	269	277	285	316	369
Less: capex	(80)	(71)	(71)	-	(12)	(12)	(51)	-	(106)	(86)
Less: change in net working capital	-	4	0	(0)	(0)	(0)	(0)	(0)	(0)	(1)
FCFF	68	295	286	366	365	366	337	398	308	243
Year	0.42	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.81
Discount period	0.21	0.92	1.92	2.92	3.92	4.92	5.92	6.92	7.92	8.82
Discount rate	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Discount factor	0.99	0.95	0.89	0.84	0.79	0.74	0.70	0.66	0.62	0.59
Present value	67	279	255	307	289	273	236	262	191	143
DCF Summary										
Toll Asset's Value										2,302

The following is the text of a summary, prepared for the inclusion in this circular, received from CDG in connection with the traffic forecasts for the Target Expressway.



China Design Group Co., Ltd.
Nanjing, Jiangsu Province
No. 9, Ziyun Avenue, Qinhuai District

To: *The Directors,*
Yuexiu Transport Infrastructure Limited

Dear Sir/Madam,

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED SUMMARY OF THE TRAFFIC STUDY ON PING-LIN EXPRESSWAY

As the commission from Yuexiu Transport Infrastructure Limited (hereinafter referred to as “**Your Company**”), China Design Group Co., Ltd. (hereinafter referred to as “**Consultant**”) has conducted a study on the traffic volume, toll revenue, and operation and maintenance costs of the Pingdingshan to Linru section of the Henan Pinglin Expressway (hereinafter referred to as “**Ping-Lin Expressway**”).

The final report of this forecast study has been compiled with reasonable professional and technical methods, with caution and seriousness. The summary of the research results is as follows (for detailed analysis and explanation, please refer to the complete report of this forecast):

1. PROJECT OVERVIEW

The Ping-Lin Expressway is an important component of the Nanjing-Luoyang Expressway, which is one of the eighteen east-west horizontal lines in the People’s Republic of China’s “National Road Network Plan”. The route starts from the southeast of Pingdingshan City at Shi Li Pu in Ye County and extends northwest to Xi Ying Xin Village in Linru Town, Ruzhou City, Pingdingshan City, where it connects with the Luoyang-Jieshou Expressway. The total length of the route is 106.45 kilometers. The Ping-Lin Expressway adopts the technical standard of a 120 km/h dual four-lane expressway. There are 25 bridges along the route, and there are six toll stations: Pingdingshan South, New District, Baofeng, Xiaotun, Ruzhou and Wenquan, and one monitor center. The charging rights of the Ping-Lin Expressway will expire on October 24, 2033.

The location of the Ping-Lin Expressway project is shown in Figure 1.

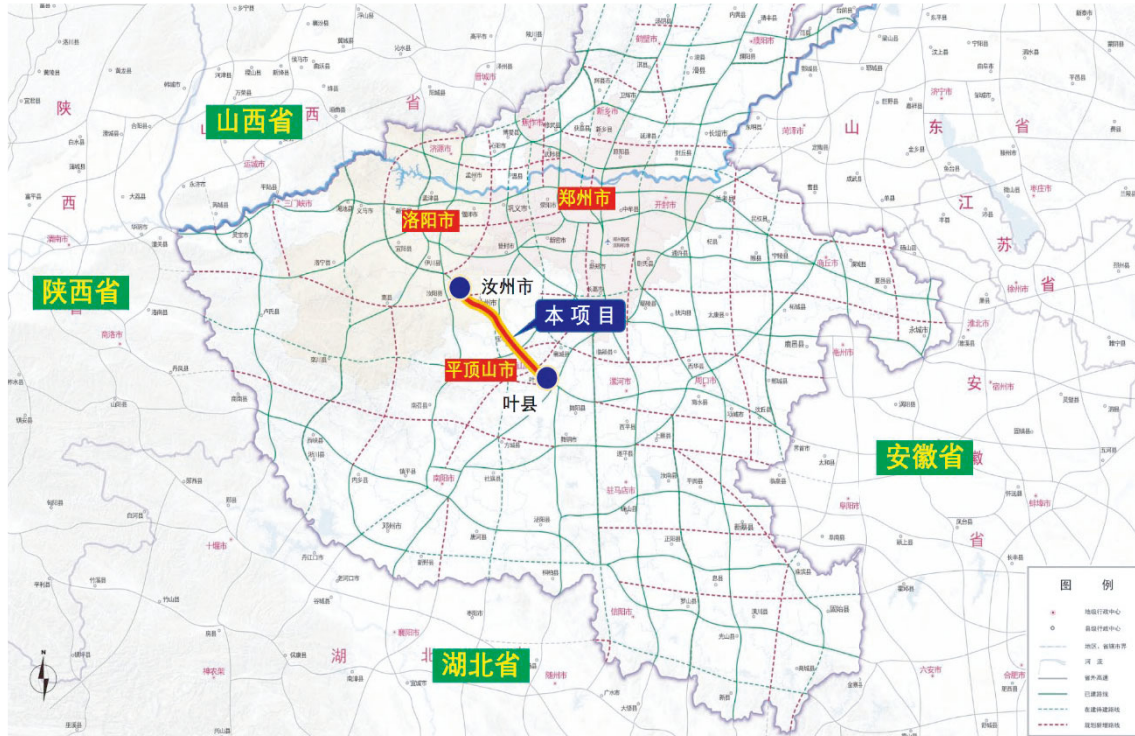


Figure 1 Location of Ping-Lin Expressway

2. MAIN CONTENT OF THE STUDY

The main content of this study is as follows:

- Collect the historical and latest social-economic data of the study area, grasp its economic growth trend and make predictions for its future;
- Collect and organize the historical traffic volume data by vehicle type for the project, to understand the historical development of the project's traffic volume;
- Collect the latest origin-destination (OD) data of the study area and analyze the expressway network toll collection data, to understand the main traffic volume directions of the study area and the project, so as to grasp the current traffic conditions;
- Develop a traffic volume prediction model for the study area and verify the model with the project's latest traffic volume data;
- Take 2023 as the base year for the study and, in conjunction with the traffic volume and toll revenue from January to July 2024, predict the project's traffic volume and toll revenue. The toll revenue forecast is based on the current toll standards and current related toll policies;

- Combine the project’s historical costs and cost growth rule to predict the operation and maintenance costs for future years;
- Submit an independent report on traffic volume, toll revenue, and operation and maintenance cost forecasts.

3. MAIN BASIS FOR THE STUDY

The main basis for the project study includes:

- Historical GDP data and related planning materials from Henan Province, Shanxi Province, Shaanxi Province, Hubei Province, Anhui Province, Pingdingshan City, Luoyang City, and other regions;
- Relevant road network plans from Henan Province, Pingdingshan City, Luoyang City, including:
 - (1) Henan Province Territorial Spatial Planning (2021-2035);
 - (2) Henan Province Integrated Three-Dimensional Transportation Network Planning (2021-2035);
 - (3) Henan Province Expressway Network Planning (2021-2035);
 - (4) Pingdingshan City Territorial Spatial Master Plan (2021-2035);
 - (5) Luoyang City Territorial Spatial Master Plan (2021-2035);
- Relevant documents on project toll standards, including:
 - (1) Historical toll standards for vehicles on the Ping-Lin Expressway;
 - (2) The “Notice on Adjusting the Toll Calculation Method and Toll Standards for Highway Vehicles in Our Province,” jointly issued by the Department of Transportation of Henan Province, the Development and Reform Commission of Henan Province, and the Department of Finance of Henan Province in December 2019;
 - (3) The “Notice on Implementing Differential Preferential Policies for Freight Vehicles on Expressways in Our Province,” jointly issued by the Department of Transportation of Henan Province, the Development and Reform Commission of Henan Province, and the Department of Finance of Henan Province in February 2020;

- (4) The “Notice on Implementing Differential Toll Policies for Freight Vehicles on Expressways in Our Province,” jointly issued by the Department of Transportation of Henan Province, the Development and Reform Commission of Henan Province, and the Department of Finance of Henan Province in January 2021;
 - (5) The “Notice on Continuing to Implement the Toll Calculation Method and Toll Standards for Highway Vehicles in Our Province,” jointly issued by the Department of Transportation of Henan Province, the Development and Reform Commission of Henan Province, and the Department of Finance of Henan Province in January 2021;
- Traffic volume and toll revenue data for the Ping-Lin Expressway provided by the project company, including:
 - (1) Sectional traffic volume by vehicle type for the Ping-Lin Expressway from January 2010 to July 2024;
 - (2) Toll revenue by vehicle type for the Ping-Lin Expressway from January 2010 to July 2024;
 - Henan Province’s provincial expressway network toll collection data for March 2023;
 - Other relevant national standards, etc.

4. FORECASTING METHODOLOGY

The forecasting methods used in this study are internationally recognized and widely used in traffic volume forecasting for expressways in the People’s Republic of China, which is the four-stage method. The traffic forecasting research methods include the following stages:

- (1) Predict the economic growth rate for future years;
- (2) Calculate the traffic growth rate for the forecast period through elasticity coefficient analysis;
- (3) Calculate the production and attraction volumes and the OD matrix for the assignment years of the forecast;
- (4) Collect the road network information for the assignment years of the forecast;
- (5) Assignment of traffic volume to the future road network for each assignment year based on model parameters.

5. MAIN ASSUMPTIONS

The main assumptions in this research report are as follows:

(1) Economic Growth Rate

The economic development of the project's location is expected to maintain a stable growth with a gradual slowdown in the rate of increase, and the growth trends of various socio-economic indicators should also conform to this trend. Based on the historical GDP data of the region and relevant plans, predictions for future socio-economic indicators are made.

(2) Road Network Information

The study has collected the latest planning information for the expressway network in Henan Province, as well as the planning information for rail and trunk roads. This information has been entered into the road network model. The information of main planned traffic facility construction around the project is shown in Table 1.

Table 1: Main Planned Traffic Facility Construction Information for Future Years

No.	Name of the project	Mileage (km)	Lane	Design speed (km/h)	Expected Opening Time
1	Jiaozuo-Tanghe Expressway, Ruzhou to Fangcheng Section and Fangcheng to Tanghe Section	203	4	120	2024 End
2	Henan-Shanxi Expressway, Yexian to Lushan Section and Lushi to Luonan Section	113	4	100-120	2025 End
3	Jiaozuo via Luoyang to Pingdingshan high-speed Railway	230	–	350	2027 End
4	Luoyang to Jieshou Expressway reconstruction and expansion	27	8	100	Commence at 2024 End Complete at 2027 End

(3) Toll Rate Standards

The study assumes that the project's charging standards will not be adjusted during the forecast period. The toll rate standards by vehicle type are shown in Table 2.

Table 2: Toll Rate Standards for Ping-Lin Expressway by Vehicle Type

Passenger Vehicles			Truck and Special Purpose Motor Vehicle		
Vehicle class	Classification Standard	Toll Rate (RMB/ car/km)	Vehicle class	Classification Standard	Toll Rate (RMB/ car/km)
Class 1	≤9 seats	0.55	Class 1	2 Axles, <4.5T And <6,000 mm	0.50
Class 2	10~19 seats	0.75	Class 2	2 Axles, ≥4.5T Or ≥6,000 mm	1.50
Class 3	≤39 seats	0.95	Class 3	3 Axles	1.90
Class 4	≥40 seats	1.10	Class 4	4 Axles	2.20
			Class 5	5 Axles	2.40
			Class 6	6 Axles	2.60

Note: Special-purpose vehicles are motor vehicles equipped with specialized equipment or tools, designed and manufactured for specific engineering tasks (including medical and health services), such as crane trucks, fire trucks, etc.

Henan Province implements differentiated toll rates for freight trucks. The differentiated discount standards for freight trucks are shown in Table 3.

Table 3: Differential toll charges for trucks using the Ping-Lin Expressway

Standard charge rate for Class 1 truck		Class 2 truck	Class 3 truck	Class 4 truck	Class 5 truck	Class 6 truck
Standard charge rate	0.50 (RMB/vehicle/km)	62.67%	74.21%	83.64%	82.08%	93.08%

(4) Other toll policies

In the forecast, it is assumed that the current toll collection policies in Henan Province will not be adjusted, which mainly include:

- **Green Channel Policy:** The green channel policy is implemented on toll roads in China, exempting vehicles that are fully and legally loaded with fresh agricultural products from toll fees.

- Free Passage for Passenger Cars during Major Holidays: Since October 2012, China has implemented a policy of exempting tolls for passenger cars during major holidays. The free passage time includes the Spring Festival, Qingming Festival, Labor Day, and National Day, which are four national statutory holidays. The scope of free passage is for passenger vehicles with 7 seats or less (including 7 seats) traveling on toll roads.
- ETC (Electronic Toll Collection) Discount: Henan Province offers a 5% discount on tolls for vehicles using ETC to pay for passage. Currently, the proportion of ETC payments on the Ping-Lin Expressway is about 72%. The forecast assumes that the ETC discount policy will not be adjusted during the toll period, and the proportion of ETC usage will basically remain at the current level.
- The Pingdingshan municipal government purchases service for small passenger vehicle tolls: For Class 1 passenger cars (with 9 seats or less, including 9 seats) with Henan license plates (Yu D) that use ETC transactions and enter through the Xincheng District station or Pingdingshan South station, the vehicle owners are exempt from the toll fees between the Xincheng District station and Pingdingshan South station. The Pingdingshan municipal government will bear and pay for this part of the toll fees.

6. HISTORICAL TRAFFIC VOLUME AND TOLL REVENUE

Historical traffic volume and toll revenue data of Ping-Lin Expressway are shown in Table 4.

Table 4: Historical traffic volume and toll revenue of Ping-Lin Expressway

Year	Traffic volume (veh/d)	Toll revenue (RMB in million)
2019	15,608	629
2020	17,890	511
2021	16,669	582
2022	13,232	528
2023	17,686	583

Notes:

- The traffic volume for the year 2020 is the average from May 6 to December 31 of that year, and the revenue is the actual total for the entire year.
- The traffic volume in the table refers to the toll-collecting traffic.
- Both the traffic volume and toll revenue data include the part of the service vehicles purchased by the Pingdingshan municipal government.

7. CONCLUSION**7.1 Traffic volume and toll revenue forecast results**

The forecast results of traffic volume and toll revenue are shown in Table 5 to Table 6.

Table 5: Annual average daily traffic for Ping-Lin Expressway

Year	Optimistic Case		Conservative Case	
	AADT (veh/d)	Growth rate	AADT (veh/d)	Growth rate
2024	16,739	-5.35%	15,782	-10.77%
2025	16,634	-0.63%	15,123	-4.18%
2026	16,717	0.50%	15,001	-0.81%
2027	17,447	4.37%	15,569	3.79%
2028	18,086	3.66%	16,133	3.62%
2029	18,585	2.76%	16,463	2.05%
2030	19,367	4.21%	17,023	3.40%
2031	20,087	3.72%	17,528	2.97%
2032	20,824	3.67%	18,029	2.86%
2033	21,577	3.62%	18,522	2.73%

Notes:

- Annual average daily traffic is the toll traffic volume, included the vehicles paid by the Pingdingshan municipal government, excluded the toll-free traffic volume.
- During the forecast period, none of the project's cross-sections are saturated.

Table 6: Annual toll revenue forecasting of Ping-Lin Expressway

Year	Optimistic Case		Conservative Case	
	toll revenue (RMB in million)	Growth Rate	toll revenue (RMB in million)	Growth Rate
2024	551	-5.49%	519	-10.98%
2025	537	-2.54%	488	-5.97%
2026	534	-0.56%	478	-2.05%
2027	550	3.00%	491	2.72%
2028	569	3.45%	511	4.07%
2029	576	1.23%	515	0.78%
2030	593	2.95%	527	2.33%
2031	609	2.70%	538	2.09%
2032	626	2.79%	550	2.23%
2033	521	–	455	–

Notes:

- From 2033 to October 24th of that year, it is calculated over 297 days. For other years, apart from leap years which are calculated over 366 days, the rest are calculated over 365 days.
- Toll revenue growth rate for 2033 is not presented due to the fee is not charged for the entire year.

7.2 Operation and Maintenance Cost Forecast Results

(1) Cost Composition

The consultant categorizes operational and maintenance costs into four parts: labor costs, maintenance costs, project handover and resettlement costs, and other costs. Inflation factors have been indirectly considered in the cost calculation increase, and are not considered separately.

Labor costs refer to wages, bonuses, and related welfare expenses paid to company employees. Based on the analysis of historical data, it is assumed that by 2024, the company's organization will be mature and the personnel will be stable, and the labor costs for future years are predicted.

Maintenance costs include road engineering and electromechanical engineering, with individual projects further divided into routine maintenance and special maintenance. The consultant, combining historical data, current engineering quality, special maintenance plans, along and the maintenance experience, predicts the maintenance costs for future years. In the forecasting process, special maintenance cost should primarily consider the following situations: ① Heavy maintenance arranged after takeover; ② Intermediate maintenance arranged about 5 years after the heavy maintenance ③ Special maintenance project due to the quality requirements for handover before the highway is expired.

Project handover and resettlement costs refer to the costs incurred for resettlement at the time of project handover.

Other costs refer to various other expenses incurred to maintain the normal operation of the company, such as network management fees, vehicle usage and repair costs, property management fees, and other miscellaneous fees.

(2) *Forecast Results*

The main conclusions of the operation and maintenance cost forecast are shown in Table 7.

Table 7: Ping-Lin Expressway Operation and Maintenance Cost Forecast

Year	Cost <i>(RMB in Million)</i>
2024	226
2025	169
2026	172
2027	104
2028	120
2029	124
2030	166
2031	118
2032	227
2033	227

Notes:

- The operational and maintenance costs for the years 2024, 2025, and 2026 include heavy maintenance costs after the project is taken over.
- The operational and maintenance costs for the year 2030 include intermediate maintenance costs for the project.
- The operational and maintenance costs for the year 2032 include special maintenance costs added to meet the project transfer quality requirements.
- The operational and maintenance costs for the year 2033 are considered up to October 24th, including special maintenance costs and project handover costs.

Yours faithfully

China Design Group Co., Ltd.

Deng Runfei

Registered Consulting Engineer (Investment)

Professorate Senior Engineer

Chief Planner

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 OF DIRECTORS/CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be (i) 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 taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”):

(a) Interests in the Shares, underlying Shares and/or debentures of the Company

Name of Director	Capacity	Number of Shares held (long position)	Number of underlying Shares held	Number of Shares held (short position)	Approximate % of shareholding in the total issued Shares <i>(Note 1)</i>
Ms. Liu Yan	Beneficial owner	485	–	Nil	0.00003
Mr. He Baiqing	Beneficial owner	52,000	685,997 <i>(Note 3)</i>	Nil	0.04
Mr. Cai Minghua	Beneficial owner	–	259,567 <i>(Note 4)</i>	Nil	0.02
Mr. Pan Yongqiang	Beneficial owner/ Spouse interest	264,000 <i>(Note 2)</i>	519,134 <i>(Note 5)</i>	Nil	0.05
Mr. Lau Hon Chuen Ambrose	Beneficial owner	195,720	–	Nil	0.01
Mr. Cheung Doi Shu	Beneficial owner	500,000	–	Nil	0.03

Notes:

1. The total number of 1,673,162,295 Shares in issue as at the Latest Practicable Date was used for the calculation of the approximate percentage.
2. Mr. Pan Yongqiang is interested in 264,000 shares, out of which 164,000 shares are owned by him as personal interest and 100,000 shares are held by his spouse.
3. These are Shares issuable to Mr. He Baiqing upon exercise of the share options granted to him pursuant to the share option scheme of the Company, the exercise price of which is HK\$4.43.
4. These are Shares issuable to Mr. Cai Minghua upon exercise of the share options granted to him pursuant to the share option scheme of the Company, the exercise price of which is HK\$4.45.
5. These are Shares issuable to Mr. Pan Yongqiang upon exercise of the share options granted to him pursuant to the share option scheme of the Company, the exercise price of which is HK\$4.43.

(b) Interests in associated corporation(s)

Name of Director	Name of associated corporation	Capacity	Approximate % of shareholding in the total issued shares	Number of shares held (long position)	Number of shares held (short position)
Ms. Liu Yan	Yuexiu Property Company Limited	Beneficial owner	0.00008	3,400	Nil
Mr. Lau Hon Chuen Ambrose	Yuexiu Property Company Limited	Beneficial owner	0.03	1,258,712	Nil

Note 1: The total number of 4,025,392,913 shares of Yuexiu Property Company Limited in issue as at the Latest Practicable Date was used for the calculation of the approximate percentage.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its other associated corporations (within the meaning of Part XV of the SFO), which are required to be (i) 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 taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) **Directorship in or Employment with Substantial Shareholders**

As at the Latest Practicable Date, (i) Ms. Liu Yan, the Chairman and a Director, was the chief operating officer and chief human resources officer of Guangzhou Yue Xiu Holdings Limited* (“**Guangzhou Yue Xiu**”) and Yue Xiu Enterprises (Holdings) Limited (“**Yue Xiu Enterprises**”); and (ii) Ms. Chen Jing, a Director, was a director of each of Grace Lord Group Limited (“**Grace Lord**”) and Housemaster Holdings Limited (“**Housemaster**”), and the chief financial officer of Guangzhou Yue Xiu and Yue Xiu Enterprises. Grace Lord, Housemaster, Guangzhou Yue Xiu, Yue Xiu Enterprises are entities who had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save as disclosed above, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, none of the Directors was a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to 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 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 any member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS’ INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) **Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had 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 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

(b) **Interests in contracts**

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close 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. NO MATERIAL ADVERSE CHANGE

The Directors confirm there had not been any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up to, up to and including the Latest Practicable Date.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are qualifications of the experts who have given their opinion or advice which is included in this circular:

Name	Qualification
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
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, none of the above experts had 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.

As at the Latest Practicable Date, none of the above experts, none of the above experts had any direct or indirect interest in any assets which were been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired to disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, opinion and/or the references to its name in the form and context in which they respectively appear.

8. DOCUMENTS ON DISPLAY

A copy of the SPA is available on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.yuexiutransportinfrastructure.com>) for a period of 14 days from the date of this circular.

9. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text.

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

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

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

NOTICE OF SPECIAL GENERAL MEETING



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 (the “SGM”) of Yuexiu Transport Infrastructure Limited (the “Company”) will be held at Plaza I-IV, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 22 November 2024 at 11:00 a.m. to consider and, if thought fit, approve, with or without modifications, the following resolution as an ordinary resolution. Unless otherwise indicated, capitalized terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 1 November 2024 (the “Circular”) of which this notice forms part.

ORDINARY RESOLUTION

“THAT:

- (a) the agreement dated 9 October 2024 and entered into between Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) (“Vendor”) and Yuexiu (China) Transport Infrastructure Investment Company Limited* (越秀(中國)交通基建投資有限公司) (“Purchaser”), pursuant to which, among other things, the Vendor shall sell and the Purchaser shall purchase 55% of the equity interests in Henan Yuexiu Pinglin Expressway Company Limited* (河南越秀平臨高速公路有限公司) at the consideration of RMB758.45 million (a copy of the aforesaid agreement has been produced before the SGM marked “A” and initialled by the Chairman of the SGM for the purpose of identification) and the transactions provided or contemplated thereunder be and are hereby approved, confirmed and ratified in all respects; and
- (b) any one or more Directors be and are hereby authorised, for and on behalf of the Company, to sign, execute, perfect, perform and deliver all such other agreements, instruments, deeds and documents and do all such acts or things and take all such steps as such Director(s) in his/their absolute discretion consider to be necessary, desirable or expedient or in the interest of the Company to give effect or otherwise in connection with or incidental to the agreement as set out in paragraph (a) above and all transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in his/their opinion, in the interests of the Company and its shareholders.”

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

Hong Kong, 1 November 2024

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the SGM 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 signed by the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or signed by a duly authorized officer or attorney.
- (3) To be valid, the completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited with the Hong Kong branch share registrar of the Company, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the SGM (or adjourned meeting thereof).
- (4) Completion and return of the proxy form will not preclude members from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the proxy form 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 SGM, 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 SGM, 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 alone be entitled to vote in respect thereof.
- (6) The register of members of the Company will be closed from Wednesday, 20 November 2024 to Friday, 22 November 2024, 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 SGM to be held on Friday, 22 November 2024 at 11:00 a.m., all transfer 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 19 November 2024.

As at the date of this notice, 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*